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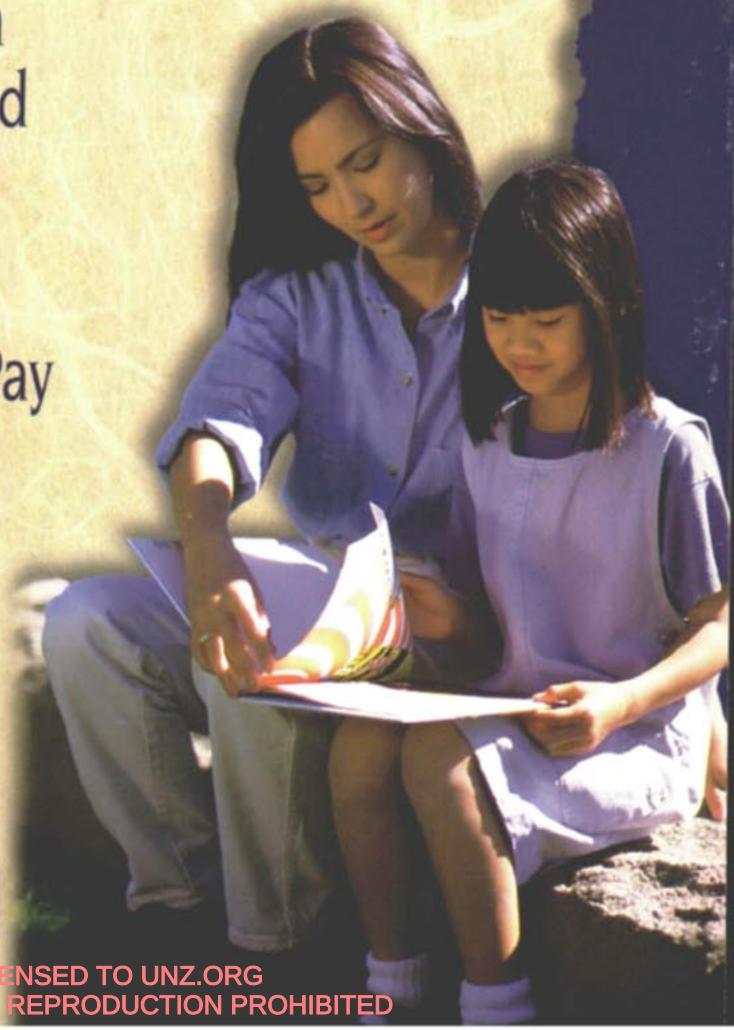

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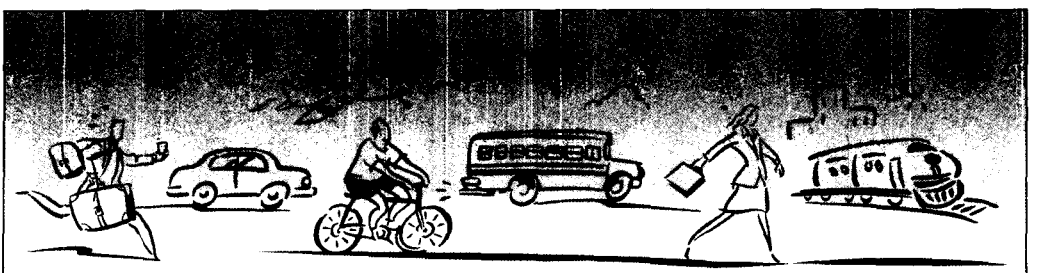

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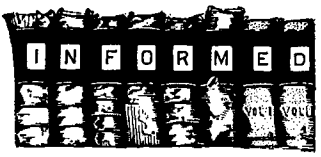

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PERSPECTIVE

And the Winner Is . . .

Someone should give the *New York Times* the "Most Absurd Headline of the Year" award. On August 22 this appeared on Page One:

Workers' Rights Suffering as China Goes Capitalist

The news article by Erik Eckholm "reported" that as China has undergone a transition toward markets, workers' interests are not effectively represented. Apparently, workers' organizations don't have a privileged position in the new China—as they had, so the article says, under Maoism. Eckholm hints that under communism, workers' rights existed largely in theory, but he sticks to his story that the power and condition of workers have deteriorated with liberalization.

Incongruously, the story also said that throngs of young Chinese pour into the cities for jobs in the new factories.

The *Times*'s more-than-implicit message is that orthodox communist China was a workers' paradise, at least in theory, and that Chinese employees nowadays have no reason to look with optimism on the change to capitalism. This, of course, is ludicrous. In the old days, there was one employer: the state. Any workers' organization was a creature of the state, and woe betide anyone who did not toe the party line. Workers' rights were not even "theoretical." They were a sham. There *are* no rights under totalitarianism. At best there are privileges, which can always be withdrawn.

One would think that after so much bloody history, the establishment media would have lost their illusions about collectivism. They persist in the fantasy that collectivism of the communist (but not the Nazi or fascist) variety is good in theory—noble in its ideals—even if perhaps a rotten ruler here and there abused his power. No one disposed of this article of faith better than F.A. Hayek in his immortal chapter, "Why the Worst Get on Top," in his immortal little book, *The Road to Serfdom*. Responding to

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those who believe that the rise to power of "blackguards and thugs" in totalitarian regimes is a "historical accident," Hayek wrote:

> There are strong reasons for believing that what to us appear the worst features of the existing totalitarian systems are not accidental by-products but phenomena which totalitarianism is certain sooner or later to produce. Just as the democratic statesman who sets out to plan economic life will soon be confronted with the alternative of either assuming dictatorial powers or abandoning his plans, so the totalitarian dictator would soon have to choose between disregard of ordinary morals and failure. It is for this reason that the unscrupulous and uninhibited are likely to be more successful in a society tending toward totalitarianism. (1944, p. 135)

When will the ruling intellectual class discover that Mao, Stalin, et al. no more betrayed communism than Hitler betrayed Nazism?

* * *

Homeschooling is getting more popular, and that means more mothers are staying at home to teach their kids. So what do movement feminists think of this development? Wendy McElroy investigates. She also contributes a sidebar on the question of whether girls get a raw deal in school.

International free trade has many virtues. Best of all, it enables the individual to make a better life. Christopher Lingle tells the story of one such individual.

The self-proclaimed leading free-enterprise society is lagging behind others in at least one respect: its postal service is still a protected monopoly. Scott Esposito says that's got to change.

Some people think it's asking too much to expect the country's passenger-rail service to be self-supporting. Scott McPherson says it's about time.

When you return from a trip abroad, instead of saying, "Welcome home," your government tells you to be prepared to be searched bodily. What kind of greeting is that, David Dorn wants to know?

Should immigration finally take its place beside free trade as a winning public issue? Dustin Kenall says it could happen.

In the free market, people have to eat, so they have to work. Does that make capitalism coercive? Only if you use words incorrectly, writes Allan Levite.

There's an unending series of stories about the routine fleecing of the American taxpayer. Melvin Barger has an idea why we are such easy marks.

Energy is a critical commodity. For many people, that means it cannot be left to the vicissitudes of the market. On the contrary, say Ashton and Gary Pecquet, that is precisely why the laws of economics should be free to operate.

Scalpers perform an eminently legitimate economic function. Yet they are reviled. William Peterson sorts out that paradox.

South Africa is cracking down on private gun ownership. Violent crime is soaring. Coincidence? Jim Peron thinks not.

Columns this month: Mark Skousen compares India and Hong Kong. Lawrence Reed wonders why businesses have to "give back." Doug Bandow says let's really not forget the victims of September 11. Dwight Lee ponders prisoners' dilemmas. Donald Boudreaux cautions against sound bites. Charles Baird sees more setbacks for the unions. And Ninos Malek, seeing populists denounce "price gouging," counters, "It Just Ain't So!"

Books coming under scrutiny this issue examine bad science, tax avoidance, state control of education, environmental regulation, the university, and teaching.

—SHELDON RICHMAN

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From The President's Desk

by Mark Skousen

Poverty and Wealth: India Versus Hong Kong

"The government of India regulates nearly everything, so there's very little progress; whereas in Hong Kong the government keeps its hands off . . . and the standard of living has multiplied."

—JOHN TEMPLETON[1]

The mutual fund magnate John Templeton traveled around the world during the 1930s, noting in particular the extreme poverty in two Asian nations under British control, India and Hong Kong. Forty years later, in the 1970s, Templeton returned. Once again he witnessed the incredible poverty in India. But Hong Kong had changed tremendously. "The standard of living in Hong Kong had multiplied more than tenfold in forty years, while the standard of living in Calcutta has improved hardly at all."[2]

Today neither country is under British rule, but the contrast is even more clear. Hong Kong enjoys the greatest concentration of wealth in the world. India suffers the greatest concentration of poverty in the world.[3]

Twenty years ago, development economist P.T. Bauer wrote a famous little essay in which he pondered, "How would you rate the economic prospects of an Asian country which has very little land (and only eroded hillsides at that), and which is indeed the most densely populated country in the world; whose population has grown rapidly, both through natural increase and large-scale immigration; which imports all of its oil and raw materials, and even most of its water; whose government is not engaged in development planning and operates no exchange controls or restrictions on capital exports and imports; and which is the only remaining Western colony of any significance?"[4]

Indeed, the prospects for Hong Kong were dismal. Yet by making cheap products for export to the faraway West, it managed to become the powerhouse of Southeast Asia. Today its citizens' incomes rival the Japanese, despite its teeming seven million people crowded into 400 square miles. What broke the vicious cycle of poverty? According to Bauer, Hong Kong's economic miracle did not depend on having money, natural resources, foreign aid, or even formal education, but rather on the "industry, enterprise, thrift and ability . . . of highly motivated people."[5] Hong Kong's "overpopulation" turned out to be an asset, not a liability.

Equally important, Britain did not interfere in private decision-making. It adopted a laissez-faire economic policy, except in the area of subsidized housing and education. Communist China has pursued a largely non-

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interventionist approach since it took over in 1997. Hong Kong continues to flourish with a stable currency, free port, and low taxes. Its maximum income tax rate is 18 percent, and it imposes no capital-gains tax. In its economic freedom index, the Fraser Institute has always ranked Hong Kong number one in the world.[6]

Tragic India

India is an entirely different story. Its population of one billion remains relatively poor. Unlike Hong Kong, India has valuable natural resources—forests, fish, oil, iron ore, coal, and agricultural products, among others. It has achieved self-sufficiency in food since independence in 1947, yet deep poverty persists.

Many pundits blame India's anti-capitalist culture, its fatalistic caste system, its overpopulation problem, and its hot and humid climate (it reached 117 degrees when we visited the Taj Mahal last June). But Milton Friedman identified the real culprit when he wrote, "The correct explanation is . . . not to be found in its religious or social attitudes, or in the quality of its people, but rather in the economic policy that India has adopted."[7]

Indeed, in the decade after independence, Nehru and other Indian leaders were heavily influenced by Harold Laski of the London School of Economics and his fellow Fabians, who advocated central planning along Soviet lines. India adopted five-year plans, nationalized heavy industries, and imposed import-substitution laws. Worse, they perpetuated the British civil-service tradition of exercising controls over foreign exchange and requiring licenses to start businesses.

Even today, India is a bureaucratic nightmare.[8] Parth Shah, an economist and head of the Centre for Civil Society (www.ccsindia.org),[9] describes how he recently returned to India and toiled to find an apartment in New Delhi (thanks to rent controls), then spent half a day standing in line to pay his first telephone bill and another half a day to pay his electricity bill. "Corruption has become the standard among those who are in public service at every level," reports Gita Mehta, a well-known Indian writer.[10] India has ranked around number 100 over the years on the Fraser Institute's index of economic freedom.

Yet there is hope. In 1991, facing default on its foreign debt, India abandoned four decades of economic isolation and planning, and freed the nation's entrepreneurs. It sold off many of its state companies, cut tariffs and taxes, and eliminated most price and exchange controls. As a result, India became one of the world's fastest-growing economies in the 1990s, averaging nearly 10 percent growth per year. Most important, while the rich have gotten richer, poverty rates fell sharply in India.

What can the new prime minister, A. B. Vajpayee, do now? Can India ever catch up to Hong Kong? India must cut its government deficits (currently 10 percent of GDP); cut tariffs and taxes further; privatize state enterprises; eliminate red tape; and restore honesty in government. It's a tall order but the only way to achieve what Adam Smith called "universal opulence which extends itself to the lowest ranks of the people."[11]□

1. Quoted in William Proctor, *The Templeton Prizes* (New York: Doubleday, 1983), p. 72.
2. Ibid.
3. For an excellent updated survey of India, see "Unlocking India's Growth," *The Economist,* June 2, 2001.
4. P. T. Bauer, "The Lesson of Hong Kong," in *Equality, the Third World and Economic Delusion* (London: Weidenfeld and Nicolson, 1981), p. 185.
5. Ibid., p. 189.
6. James Gwartney and Robert Lawson, *Economic Freedom of the World, Annual Report 2001* (Vancouver, B.C.: Fraser Institute, 2001), p. 172.
7. Milton Friedman, *Friedman on India* (New Delhi: Centre for Civil Society, 2000), p. 10.
8. See John Stossel's amazing example in his ABC Special "Is America #1?" available on videotape from Laissez Faire Books, 800-326-0996.
9. The other free-market think tank, the Liberty Institute, is run very capably by Barun Mitra. Shah and Mitra hosted my visit to India in June 2001.
10. Gita Mehta, *Snakes and Ladders: A Modern View of India* (London: Minerva, 1997), p. 16.
11. Adam Smith, *The Wealth of Nations* (New York: Random House, 1965 [1776]), p. 11.

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It's Unpatriotic to Raise Prices After a Disaster?

It Just Ain't So!

One issue that caused a minor controversy after the terrorist attacks on September 11 was so-called price gouging. On his popular TV show, *The O'Reilly Factor,* Bill O'Reilly made a big deal of it with Jennifer Granholm, attorney general of Michigan, and Dan Mogin, a consumer lawyer from California.

O'Reilly accused the Sheraton Hotel at Kennedy International Airport, a Holiday Inn in New York City, and Alamo Rent A Car in Charleston, South Carolina, of taking advantage of the terrorist attacks by raising prices. Granholm mentioned that there were 13 gas stations in Michigan that overcharged consumers; she called them un-American. Mogin said it violated New York's consumer-protection laws for a business to charge an "unconscionably excessive price." Who determines what is "unconscionably excessive"? The legislators in New York state obviously believe they do.

Apparently, there were some gas stations that charged $5 a gallon soon after the attacks. The news media reported that many consumers were angry. Those gas stations would have loved to charge not $5 but $50! Why didn't they? Because prices are a function of supply and *demand.*

If prices are really too high, suppliers have no choice but to lower them. (In fact, gas prices fell dramatically soon after September 11.) However, if prices go up and stay there, enough consumers must be willing to pay the higher prices. Some will object to this argument, saying consumers have no choice. But people don't trade with each other unless each expects to benefit. Even though I would enjoy paying nothing to attend a San Jose Sharks game, my paying $100 for a seat proves that the benefit to me of spending the money outweighs the cost—anything else I could have done with that $100.

Why Pay More?

Remember that if a business wants to raise its prices higher than its competitors' prices, it might hurt itself. Why would a consumer pay a higher price if he had alternatives? In a free market consumers are sovereign. O'Reilly proudly said, "I would never go to these places!" That's the point: we choose where to spend our money.

When people become outraged at higher prices, they act as though they have a right to a hotel room, a rental car, or a tank of gasoline on their own terms. They fail to understand that prices reflect supply and demand and that sometimes these conditions change.

As Henry Hazlitt noticed, when people protest a new higher price, they imply that the old price was okay. He said in *Economics in One Lesson,* "That starting or previous price is regarded as 'reasonable,' and any price above that as 'unreasonable,' regardless of changes in the conditions of production or demand since that starting price was first established." Yet people protested when the price first went up to the original level. This logic regresses until the good or service is free!

After a tragedy, such as the destruction of the World Trade Center, demand for certain goods and services goes up and suppliers might also anticipate restricted production of certain goods. Thus higher prices are not only justified in the sense that they are called forth by new conditions, but they also help to ration goods and services, encouraging people to conserve and to satisfy only their more urgent needs until conditions loosen up again.

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When I tried to buy an American flag at a nearby store a few days after the attack, it was out of stock. I didn't hear that stores were "price gouging" on flags or other patriotic products, but what if they had raised their prices? I might have been able to buy a flag that same day instead of waiting. Scarce goods have to be rationed by some mechanism, whether by price or by time. Nothing of value is free. Economists agree that prices are the most efficient way to allocate goods.

Millions of people in the United States and around the world believe that corporations and capitalists are the enemy. They believe that businesses take advantage of consumers. This belief ignores that through our buying and abstaining from buying we consumers dictate what will be produced. (It is also worth mentioning that some of America's largest corporations, like Cisco and General Electric, donated millions of dollars to the relief effort in New York.)

A few of my friends and colleagues think I am cold and callous when I mention that it is not wrong for businesses to raise their prices after a disaster. What is really wrong is for the government to hurt suppliers and, ironically, consumers in the name of consumer protection.

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FEBRUARY 2002

Can a Feminist Homeschool Her Child?

by Wendy McElroy

> "Welcome to my home school—my private, little rebellion against the enemies of educational excellence and the forces of feminism who say a woman's place is in the paying workplace."
>
> —ISABEL LYMAN
> "A Mother's Day of Home Schooling"

In a peaceful mutiny against the quality and content of government education, a growing number of parents are choosing to stay at home to teach their children one-on-one. A recent federal National Center for Education Statistics survey (Parent-NHES:1999) estimates that 850,000 children were homeschooled in 1999; this constituted 1.7 percent of all students between the ages of 5 to 17. Other studies put the figure as high as 1.5 million children. According to the Heartland Institute, for the last decade and a half, homeschooling has grown at a rate of 15 to 20 percent a year.

Women who choose not to enter the work force are in the forefront of this phenomenon. The Parent-NHES: 1999 survey provides a portrait of the "typical" homeschooling family with its stay-at-home mom, or mother-educator. It consists of a two-parent household with three or more children, in which the parents are highly educated and the father is the breadwinner.

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In short, many educated women are turning their backs on careers and returning to the traditional domestic value of putting children and family first. They are reversing the social revolution sparked by Betty Friedan's pivotal 1963 book, *The Feminine Mystique,* which prompted women to flood out of kitchens and into schools or the workplace. Homeschooling constitutes one of the most significant trends for women and families in the last decade or so.

Yet the leading voices within feminism are either silent or ambivalent about homeschooling.

Several factors undoubtedly contribute to their muted reaction. For example, before 1999, surveys generally indicated that homeschoolers were motivated mainly by moral and religious concerns: that is, parents didn't like the secular values being taught in public schools. These early homeschoolers tended to view feminism as a form of secular humanism, which was damaging their children. In turn, some left-statists lumped all homeschoolers together and labeled them "Christian right-wing extremists." And that segment of the political spectrum is antagonistic to both political correctness and feminism.

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But homeschooling has gone mainstream. Currently, the most common reason for schooling at home, as stated in the 1999 survey, is to provide "better education" (48.9 percent), with "religious reasons" coming second (38.4 percent). In other words, an increasing number of parents do not trust the public-school system to impart skills and knowledge to their children. A prominent homeschooling site lists "the dropping test scores" and "the loss of academic discipline (core knowledge)" as the top two reasons for homeschooling. (The presence of a politically correct agenda in the classroom was third.)[1]

Their suspicions are well founded. In an article titled "More Than Half of California 9th Graders Flunk Exit Exam," Kathleen Kennedy Manzo reported on a recent survey of 9th graders in that state. Eighty-one percent of the state's freshmen took an exam to test state educational standards. The bar had been set purposefully low with a 60 percent score in reading and 55 percent in math constituting a "pass." Manzo observed, "A panel of teachers, administrators, parents, and community members originally proposed a passing score of 70 percent for both English and math." Nevertheless, even with lowered standards, fewer than 45 percent of 9th graders were able to pass.[2]

Given that good private schools are expensive and often have long waiting lists, many parents prefer the even more private solution of keeping children at home.

Financial Dependence

Some mother-educators call themselves "feminists," but this seems to be uncommon. Homeschooling simply does not comfortably conform to the current gender analysis and policy recommendations. A large part of the poor fit is that mother-educators stay at home and are financially dependent on the husband's income. But other issues arise as well.

One of the few feminist critiques of homeschooling available is titled "Is Homeschooling Sexist?" by Laurae Lyster-Mensh, a self-declared feminist. The author is clearly sympathetic to the basic concept of homeschooling as demonstrated by her being a mother-educator herself. But her article revolves around what she calls "an elephant in the room": namely, the question that constitutes its title.[3]

Lyster-Mensh asks other homeschooling moms what messages about gender are being sent to their children. When she assures her daughter that she can achieve anything in life, Lyster-Mensh wonders, "Am I telling her she can strive toward being a homeschooling mother? Am I telling her not to?" And what of sons? "They cannot fail to notice that the ones doing the homeschooling are the mothers. We have to ask ourselves what expectations this will leave them with for themselves and for their future spouses. In the workplace, will they be able to treat female co-workers as seriously as the men?"

Lyster-Mensh raises some valid questions about gender and homeschooling families. For example, what impact does the "man as sole breadwinner" have on the decision-making process in the family? She freely admits that such issues may not pose a problem for many homeschooling families. But she raises an intriguing possibility. She speculates that, because homeschoolers feel under attack from "liberals" and pro-public-school organizations such as the National Education Association, they tend to band together and present "a united front to the world." Divisive issues, such as the role of women in the home and society, are not discussed as openly as they might otherwise be. Of course, it is impossible to test this theory until the political opposition to homeschooling ceases to be a threat.

One main complaint of mother-educators is that feminists (outsiders) often display a dismissive or insulting attitude toward their lifestyle. In short, feminists look down on them as less liberated than working women. They see stay-at-home moms as part of the patriarchal structure (the nuclear family with traditional values) that is the wellspring of gender oppression.

The Feminine Mystique described the suburban household with its traditional domes-

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tic arrangements as a "concentration camp." Friedan claimed decades later that the wholesale rejection of domesticity that her book inspired in young women was a misinterpretation of its meaning. Nevertheless, it was a reading that caught on: liberated women are the ones who pursue careers and who are financially independent and guided by their own needs. According to this interpretation, not all choices a woman can make are politically or culturally equal. Women who choose to become housewives, to be financially dependent on a man, and to give priority to the needs of their families are unliberated.

In her article "Motherhood Gets a Face-Lift," the homeschooling Isabel Lyman asks herself a question that must have occurred to many mother-educators, especially those who willingly gave up careers and financial independence. She wonders whether a woman who "commits herself so wholeheartedly to her children and their education" represents a "giant step backward" for women? Or is she a pioneer who defies categorization?

In response to her question, Lyman presents the answers of some other homeschooling moms.

For example, Pam Kelly of California: She was a computer/systems analyst for 18 years before becoming a mother-educator —a job she considers her most challenging and fulfilling one. She calls herself "the epitome" of what feminists *say* they are for: a woman having and exercising choice. But when she hears the word "feminist," Pam thinks "dictator, hostile, anti-male and anti-female."

Cindi Grelen of Oklahoma has a teaching degree, which she uses to homeschool her two daughters. She defines "a feminist" as "an angry person who is self-absorbed and on a desperate search for peace"—the peace that she has found in the politically incorrect process of "losing herself in her children." Nevertheless, she adds, "I miss out . . . on being recognized as someone who is contributing something worthwhile to society."

Christine Field of Illinois was a criminal prosecutor who once considered herself to be a "blatant feminist." No more. Today, she is the author of a book titled *Coming Home to Raise Your Children.*

The personal stories go on and on. And common themes run through many of them: the parent-educators are intelligent, educated women; they have made a conscious and considered choice to leave the work force; and they view feminism as a rebuke.

The New Women's Movement

Homeschooling constitutes a revolution in education. But it is also one of the most significant trends to affect women and families in decades, especially since it is led by mother-educators. Homeschooling is part of a social shift by which women are moving back toward traditional family values, not because they have to but because they want to do so.

Analysis of homeschooling has focused on the children—and properly so—but the relationship of mother-educators to feminism deserves investigation in its own right. Homeschooling is a trend that mainstream feminism is resisting because the teaching at-home mom threatens many of the values it espouses, including financial independence.

The tension between homeschooling and feminism arises not from feminism per se, but from the politically correct version that has dominated the movement for over a decade. PC feminism regards the traditional family as a training ground for patriarchy—that is, for the white male culture that oppresses women.

Fortunately, other schools of feminism view staying at home as simply one more choice that a self-respecting, intelligent woman can make or reject, depending on her goals in life. Individualist feminism is one example. For this school of feminism, freedom means having every peaceful choice possible and taking personal responsibility for all your actions. In this framework, one woman's decision to stay at home is not politically better or worse than another woman's choice to become a CEO. Both are personal matters. Both express the core of true feminism: *choice.*

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The fact that many educated, socially concerned women are rejecting feminism because they think it is rejecting them should serve as a wake-up call for the movement. Any version of feminism that wishes to survive in the 21st century had better embrace the hardworking mother-educator and respectfully acknowledge her choice. Feminists had better do it fast. □

1. www.icehouse.net/lmstuter/hs.htm.
2. *Education Week*, June 20, 2001; www.edweek.org/ew/ewstory.cfm?slug=41calif.h20&keywords=California.
3. www.home-ed-magazine.com/HEM/176/ndsexist.html.

How Fare the Girls in School?

Political correctness in schools has been a matter of controversy lately, especially whether girls are favored or handicapped by the system.

In the early 1990s the prestigious American Association of University Women (AAUW)—whose motto is "promoting education and equity for all girls"—published two influential reports on public schools: "Shortchanging Girls, Shortchanging America" (1991) and "How Schools Shortchange Girls" (1992). On its Web site, AAUW describes the latter as "a startling examination of how girls in grades K–12 receive an inferior education to boys in America's schools" (www.aauw.org/2000/hssg.html).

The reports gave rise to policy reforms that nurtured and encouraged female students. Critics of the studies would rephrase the preceding statement to read: "the reports encouraged policy reforms that discriminated against male students."

The question of whether the public schools educationally prefer girls or boys has been a matter of hot debate. Test scores suggest that girls are currently favored. In an article titled "Where the Boys Are: Is America Shortchanging Male Children?" feminist critic Cathy Young wrote, "In 1998, 48 percent of girls but only 40 percent of boys graduating from high school had completed the courses in English, social studies, science, math, and foreign languages recommended as a minimum by the National Commission on Excellence in Education." In 1987, however, no gender gap existed. (See *Reason* magazine, February 2001.)

In recent years, researchers have begun to reverse the perception that female students are harmed and to argue, instead, that male students are being slighted. In her study "The Myth that Schools Shortchange Girls: Social Science in the Service of Deception (1998)," psychologist Judith Kleinfeld of the University of Alaska debunked the claim that girls are educationally disadvantaged. Specifically, she dissected the AAUW report reflected in her title. Kleinfeld's study opens, "Women's advocacy groups have waged an intense media campaign to promote the idea that the 'schools shortchange girls.' Their goal is to intensify the image of women as 'victims' deserving special treatment and policy attention. . . . But the idea that the 'schools shortchange girls' is wrong and dangerously wrong" (www.uaf.edu/northern/schools/myth.html).

The study went on to explain that girls get higher grades and do better on standardized tests of reading and writing. Moreover, they receive more schooling; a greater number of females than males both enter and graduate from higher education.

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The final paragraph of the study concluded, in part, "In the hectic, crowded world of the classroom, teachers have limited time, attention and energy. Teachers are concentrating on the problems of girls, but they are dismissing the problems of boys and neglecting the problem of how to educate the most gifted students."

Incredible Shrinking Girl?

Kleinfeld drew on the more popular and political work of Christina Hoff Sommers, a scholar at the American Enterprise Institute, who was the first to draw national attention to the problem of shortchanged boys. In June 1996 Sommers published a warning call in *Education Week* that challenged what she called "the myth of the incredible shrinking girl." (See "Where the Boys Are," www.edweek.org/ew/1996/38sommer.h15.)

Sommers's latest book, *The War Against Boys: How Misguided Feminism Is Harming Our Young Men* (2000) continues the theme of her earlier work, *Who Stole Feminism?* (1994) in that both expose common feminist distortions. *Who Stole Feminism?* is a broad survey of myths surrounding issues from anorexia to domestic violence. *The War Against Boys*, Sommers explained, "tells the story of how it has become fashionable to attribute pathology to millions of healthy male children . . . of how we are turning against boys and forgetting a simple truth: that the energy, competitiveness, and corporal daring of normal, decent males is responsible for much of what is right in the world."

Sommers argues that feminists have institutionalized their views within the educational system and indoctrinated children. She points an accusing finger not only at politically correct feminism in general but also at specific organizations such as the Ms. Foundation.

This accusation is becoming widespread. The novelist and feminist icon Doris Lessing recently used the Edinburgh Books Festival as a podium from which to decry the diminishment of boys, particularly within the education system. Lessing declared, "I was in a class of nine- and 10-year-olds, girls and boys, and this young woman was telling these kids that the reason for wars was the innately violent nature of men. You could see the little girls, fat with complacency and conceit while the little boys sat there crumpled, apologizing for their existence."

Debating whether Lessing's portrayal is accurate misses the point. Many people perceive it to be true. Parents who believe that schools promote feminist values are more likely to protect their sons from a discriminatory system by removing them from the system. They are likely to protect their daughters from political correctness by removing them as well.

—Wendy McElroy

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IDEAS ON LIBERTY
FEBRUARY 2002

Putting a Human Face on Globalization

by Christopher Lingle

Globalization is a much-maligned phenomenon. Environmentalists portray increased global economic growth as anathema to their goals. And their anti-capitalist allies assail multinational corporations for plundering less-developed regions of the world and exploiting workers.

Ironically, these same issues have been raised in similar debates that raged over the past several decades. Neither evidence nor the overwhelming intellectual arguments that dispute the claims of the opponents of globalization seem to have silenced them.

Since the other side never gives up, it might be useful to update some of the ripostes to the assertions of anti-globalists. Let's start with the environment.

Instead of being the enemy of the environment, economic growth arising from globalization has proven to be an unexpected friend. A raft of academic studies demonstrates a positive link between economic growth and increased environmental quality. One study indicates that when growth delivers a level of per capita income of about $4,000 to $5,000, pollution problems tend to be alleviated. There is also evidence that countries that engage in significant international trade have significantly lower levels of sulfur dioxide.

A World Bank report indicates this clearly. As the economies of OECD (Organization for Economic Cooperation and Development) countries grew by approximately 80 percent after 1970, they increased their supplies of clean water and improved sanitation and waste disposal. They also achieved significant increases in air quality, with declines in particulate emissions of 60 percent and sulfur dioxide emissions that have fallen by 38 percent.

The simple truth is that when people become richer, they are more willing and better able to "purchase" safeguards for the environment. This is because higher economic growth provides communities with the interest and the means to solve pollution problems.

Indeed, poverty contributes to environmental degradation since people living at near-subsistence are more likely to abuse the environment. In pursuit of sheer survival, there is less worry about depletion of forest resources or game or fish. Often the poor are compelled to exploit marginal lands to produce food. As they farm near deserts or in tropical forests, their efforts will contribute to erosion and may lead to desertification or deforestation.

Those who want a better environment should look to the process of increased economic growth as perhaps the only way to leave a better world for future generations.

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Benefits the Poor

Now consider the effect of globalization and growth on Third World economies, especially the consequences for the poor. It turns out that economic growth benefits the poor because it can allow prosperity to be more widely shared. A World Bank report ("Growth Is Good for the Poor," D. Dollar and A. Kraay, Development Research Group, March 2000) indicates that each percentage increase in economic growth causes the incomes of poor individuals to rise by the same proportion. This ratio was observed as a general relationship between incomes of the bottom fifth of the population and per capita GDP in a sample of 80 countries over 40 years.

To put a human face on these effects, an example is offered that involves a large multinational from New Zealand and one of its small customers in the remote hills of Guatemala.

The multinational is New Zealand Milk, a cooperative of farmers that operates an exporting arm by the name of Fonterra. Given that there are more cows in New Zealand than people, it is not surprising that the industry aggressively seeks export markets.

Its representatives sell a variety of dairy products that are found throughout Guatemala. One product is a full-cream milk powder that is marketed under the brand name Fernleaf. Despite the difficulty in pronouncing the name (it is asked for by the color of the box it comes in, yellow), it is the leading dairy brand among Guatemalan consumers.

Rosalía Ictem is the major buyer of Fernleaf in the hilly region outside the city of Petén. Known as Doña Chalía, she is of pure Indian blood and was born in Cobán. So she decided to name her shop in memory of her hometown, La Cobanerita.

Located in the tiny village of Santa Elena, La Cobanerita began as a tiny venture with minimal capital but has shown continued growth. Those who come into her shop will find Doña Chalía barefooted and greeting customers in one of her colorful native costumes.

Despite her petite size, she is quite impatient and brusque with customers. But regular customers are treated well and all are treated fairly.

Although illiterate, Doña Chalía is highly numerate and has her own checking account to facilitate her business dealings. Local representatives of New Zealand Milk praise her for her timely payments.

Scoffed at Prizes

During a promotion to reward those vendors able to increase their sales, New Zealand Milk offered televisions, computers, refrigerators and even a car. When this scheme was presented to Doña Chalía, she scoffed at the prizes. She indicated that she had many TVs and refrigerators. And she did not need or want a car.

Instead, she suggested that they award her a blender so she could use it to sell more of their powdered milk products. Sensing an opportunity, they provided her with several blenders. Soon her idea was applied nationally and led to considerable expansion in sales.

And so Doña Chalía put the shoe on the other foot. This simple Indian woman was able to provide profitable advice to a large international corporation!

While this is but one example, evidence shows that more people have been lifted out of poverty in the last 50 years than in the previous five centuries. The number of people leaving poverty in East Asia alone is almost 500 million. Most of these gains have come from economic growth brought about by increased trade and capital flows associated with globalization. Those who truly want to see fewer poor people should encourage all governments to adopt policies that promote sustainable growth through increased access to global markets. □

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IDEAS ON LIBERTY
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Who Owes What to Whom?

For a society that has fed, clothed, housed, cared for, informed, entertained, and otherwise enriched more people at higher levels than any in the history of the planet, there sure is a lot of groundless guilt in America.

Manifestations of that guilt abound. The example that peeves me the most is the one we often hear from well-meaning philanthropists who adorn their charitable giving with this little chestnut: "I want to give something back." It always sounds as though they're apologizing for having been successful.

Translated, that statement means something like this: "I've accumulated some wealth over the years. Never mind how I did it, I just feel guilty for having done it. There's something wrong with my having more than somebody else, but don't ask me to explain how or why because it's just a fuzzy, uneasy feeling on my part. Because I have something, I feel obligated to have less of it. It makes me feel good to give it away because doing so expunges me of the sin of having it in the first place. Now I'm a good guy, am I not?"

It was apparent to me how deeply ingrained this mindset has become when I visited the gravesite of John D. Rockefeller at Lakeview Cemetery in Cleveland a couple years ago. The wording on a nearby plaque commemorating the life of this remarkable entrepreneur implied that giving much of his fortune away was as worthy an achievement as building the great international enterprise, Standard Oil, that produced it in the first place. The history books most kids learn from these days go a step further. They routinely criticize people like Rockefeller for the wealth they created and for the profit motive, or self-interest, that played a part in their creating it, while lauding them for relieving themselves of the money.

More than once, philanthropists have bestowed contributions on my organization and explained they were "giving something back." They meant that by giving to us, they were paying some debt to society at large. It turns out that, with few exceptions, these philanthropists really had not done anything wrong. They made money in their lives, to be sure, but they didn't steal it. They took risks they didn't have to. They invested their own funds, or what they first borrowed and later paid back with interest. They created jobs, paid market wages to willing workers, and thereby generated livelihoods for thousands of families. They invented things that didn't exist before, some of which saved lives and made us healthier. They manufactured products and provided services, for which they asked and received market prices. They had willing and eager customers who came back for more again and again. They had stockholders to whom they had to offer favorable returns. They also had competitors, and had to stay on top of things or lose out to them. They didn't use force to get where they got; they relied on free exchange

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and voluntary contract. They paid their bills and debts in full. And every year they donated some of their profits to lots of community charities no law required them to support. Not a one of them that I know ever did any jail time for anything.

So how is it that anybody can add all that up and still feel guilty? I suspect that if they are genuinely guilty of anything, it's allowing themselves to be intimidated by the losers and the envious of the world—the people who are in the redistribution business either because they don't know how to create anything or they simply choose the easy way out. They just take what they want, or hire politicians to take it for them.

Or like a few in the clergy who think that wealth is not made but simply "collected," the redistributionists lay a guilt trip on people until they disgorge their lucre—notwithstanding the Tenth Commandment against coveting. Certainly, people of faith have an obligation to support their church, mosque, or synagogue, but that's another matter and not at issue here.

Real Giving Back

A person who breaches a contract owes something, but it's to the specific party on the other side of the deal. Steal someone else's property and you owe it to the person you stole it from, not society, to give it back. Those obligations are real and they stem from a voluntary agreement in the first instance or from an immoral act of theft in the second. This business of "giving something back" simply because you earned it amounts to manufacturing mystical obligations where none exist in reality. It turns the whole concept of "debt" on its head. To give it "back" means it wasn't yours in the first place, but the creation of wealth through private initiative and voluntary exchange does not involve the expropriation of anyone's rightful property.

How can it possibly be otherwise? By what rational measure does a successful person in a free market, who has made good on all his debts and obligations in the traditional sense, owe something further to a nebulous entity called society? If Entrepreneur X earns a billion dollars and Entrepreneur Y earns two billion, would it make sense to say that Y should "give back" twice as much as X? And if so, who should decide to whom he owes it? Clearly, the whole notion of "giving something back" just because you have it is built on intellectual quicksand.

Successful people who earn their wealth through free and peaceful exchange may choose to give some of it away, but they'd be no less moral and no less debt-free if they gave away nothing. It cheapens the powerful charitable impulse that all but a few people possess to suggest that charity is equivalent to debt service or that it should be motivated by any degree of guilt or self-flagellation.

A partial list of those who honestly do have an obligation to give something back would include bank robbers, shoplifters, scam artists, deadbeats, and politicians who "bring home the bacon." They have good reason to feel guilt, because they're guilty.

But if you are an exemplar of the free and entrepreneurial society, one who has truly earned and husbanded what you have and have done nothing to injure the lives, property, or rights of others, you are a different breed altogether. When you give, you should do so because of the personal satisfaction you derive from supporting worthy causes, not because you need to salve a guilty conscience. □

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Time for the Mail Monopoly to Go

by Scott Esposito

In 1775 the Continental Congress named Benjamin Franklin head of the newly created federal post office with the hopes that it would help bind together the emergent confederation.[1] Although the confederation failed, the post office didn't, as Madison himself listed it as one of the organs of government necessary to "provid[ing] for the harmony and proper intercourse among the States."[2] Accordingly, the postal system became part of the federal government when the Constitution was ratified in 1788.

The first substantial challenges to the legitimacy of the federal Postal Service occurred in 1839 when anger over high postage costs and patronage within the post office led businessmen to establish private postal ventures.[3] Postal inspectors attempted to frighten away private mail carriers by prosecuting Adams & Company, a New York-based mail delivery service. Attempts at prosecution failed when Adams was acquitted in 1843, with the court ruling that the federal government's postal monopoly did not extend to mail carried by the emergent technologies of the railroad and steamship.[4] When prosecuting private mail carriers proved fruitless, the federal government, fearing challenges to the legality of the postal service such as those raised by Lysander Spooner's American Letter Mail Company, sought other ways to stamp out private competition.[5] Such efforts eventually proved successful; the federal government eliminated most private mail carriers by 1860 through a 50 percent reduction in the postage rate and extra-legal tactics (such as declaring all city streets "post roads").[6]

In 1872 the federal government solidified its hold on mail delivery by passing legislation that granted the Postal Service full monopoly rights over first-class (letters) and third-class ("junk") mail. Entities such as United Parcel Service (founded in 1907) exploited loopholes in the law from the early twentieth century onward, leaving the Postal Service in such financial disarray that the federal government was eventually forced to pass the Postal Reorganization Act of 1970.[7] The Reorganization Act was a massive undertaking, accomplishing nothing less than the transformation of the Post Department Office, a directly government-funded agency, into a theoretically self-supporting government corporation, today's United States Postal Service (USPS).

Reform, But No Improvement

The effort to make the Postal Service competitive failed. Largely due to private competitors, the Postal Service from 1971 to 1997 lost $5.7 billion.[8] Partly because of inefficiency and partly because of competition, the USPS last posted a profit in 1995; it posted losses of over $1 billion in 2000, and

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expected losses of $3 billion for 2001.[9] Staggeringly, the USPS, created as a self-sufficient government corporation, has required billions of dollars in taxpayer subsidies since the 1980s.[10]

Of all the problems faced by the USPS, one of the most persistent is tardiness. In 1994, for instance, inspectors found 2.3 million pieces of mail in Maryland delayed for nine days and 5.9 million pieces in Chicago delayed for a month.[11] Another problem is inefficiency. Despite continual adoption of labor-saving technology, experts estimate that 80 percent of all mail costs are due to labor, with 28.4 percent of that taken up by "non-productive time."[12]

Perhaps more pressing than efficiency and finance troubles is the USPS's increasing obsolescence. Demand for letter delivery, the reason for which the USPS was originally created, is slowing. In 1999 the General Accounting Office reported that although the total volume of mail is expected to increase, the amount of first-class mail is estimated to decrease 0.8 percent annually between 1999 and 2008.[13] Although a decrease of less than 1 percent sounds paltry at first, it becomes significant when one considers that the premium rates charged for first-class mail are the Postal Service's largest source of revenue, covering two-thirds of costs.[14] The main reason for the decline in first-class mail is that bill payments, accounting for $17 billion of the USPS's $65 billion in revenue, are increasingly being transacted online. While the demand for first-class mail falls, package delivery, an area dominated by private-sector mail carriers, increases.[15]

In the face of declining profits and increasing obsolescence, the USPS has attempted to stay competitive by turning to new ventures. Throughout the 1990s it has sold phone cards, voice mail, T-shirts, mugs, earrings, and bill-processing services. These ventures have not gone well: overall they have netted the USPS a loss of about $85 million.[16]

In addition to expanding into new industries, the USPS has attempted to increase profits by contracting work out to private mail carriers. The best-publicized of these is the USPS's alliance with Federal Express. Under the terms of this agreement, FedEx will deliver the USPS's Priority and Express Mail, while the USPS will permit FedEx to put its boxes in 10,000 post offices around the country.[17] Is this alliance with a private firm the first faltering step toward privatization of the USPS?

Steps Toward Privatization

Internationally, privatization of the postal service is hardly a new idea. New Zealand, the Netherlands, Germany, and Sweden have had quasi-privatized post offices for years, and the European Union has set January 1, 2003, as the deadline for all its member states to have privatized post offices.[18] Domestically, the idea has been debated as well. Representatives Phil Crane and Dana Rohrabacher perennially support a proposal for full privatization of the USPS. Alternatively, a proposal by Representative John McHugh would inch the United States closer to full privatization by breaking the USPS up into competitive and monopolistic entities.[19]

Calls for privatization rest in part on the fact that the USPS does not compete with its rivals on equal terms. For one thing, the USPS has several legal advantages. Although competing services such as FedEx and UPS deliver documents, it is illegal to compete with the USPS in the delivery of first-class and third-class mail.[20] Furthermore, as a government agency the USPS is exempt from taxation and some federal safety regulations and has often borrowed from the U.S. Treasury at below-market interest rates, advantages Federal Express and UPS will never enjoy.[21] Firms that compete with the Postal Service in package delivery, such as FedEx and UPS, are hindered by the fact that mailboxes by law are the private resource of the USPS. Advocates of privatization point out that such laws and advantages hardly have a place in a nation founded on the virtues of liberty and capitalism.

The problem of unfair competition between the USPS and private firms is compounded by the fact that the USPS has repeatedly attempted to expand its reach.

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"In addition to normative and competitive reasons for privatization, there is significant evidence that exposing the USPS to true competition would provide consumers with better service at a lower cost."

Seeing its monopoly on first-class and third-class mail slowly undermined by the Internet, the USPS has made several attempts to break into this new technology. However, services the USPS has tried to provide, such as verification of when e-mail was sent and secure document-transfer protocols, are already provided by private industry.[22]

In addition to normative and competitive reasons for privatization, there is significant evidence that exposing the USPS to true competition would provide consumers with better service at a lower cost. Parcel delivery, in which the Postal Service competes more or less on equal terms with private companies, is now dominated by private rivals.[23] The two largest private mail delivery firms, Alternate Postal Delivery and Publishers Express, are seeing their tiny $20 million sliver of the mail delivery pie (significantly circumscribed by federal law) expand as the USPS continually increases its rates for magazine delivery.[24] Furthermore, the Netherlands, the first European Union nation to partially privatize its postal service, has seen its postal employees become the most efficient in all of Europe.[25]

Privatizing the Post Office

If the United States is to privatize the Postal Service, the question of how must be answered. The Dutch example provides some lessons.

In the Dutch case privatizers attempted to transform the postal service into a joint-stock company by offering shares to private investors on the stock exchange.[26] In theory this scheme would have had the double advantage of swiftly privatizing the service (as investors rapidly snatched up shares) and placing the Dutch post office on equal terms with all its competitors.

Although private entrepreneurs have finally acquired a majority of the shares of the Dutch postal service and have transformed it into an international delivery giant,[27] the privatization process has some notable flaws that American privatizers would be wise to avoid. Perhaps the most significant problem is that the Dutch post office still holds a monopoly on the delivery of letters "weighing 500 grams [roughly 18 ounces] or less and priced below certain limits."[28] A second problem is that ownership of the Dutch post office was only slowly transferred to the private sector; it wasn't until 1996, seven years after the privatization process started, that the government gave up majority control.[29]

Explanations for these two flaws in the Dutch approach to privatization range from benign to corrupt. Some argue that the slow transition and continued monopoly are necessary because the private market might leave some areas of the Netherlands without postal service. Others believe that privatization was chosen by the Dutch government because it allowed the postal service to expand into other industries, thereby creating a cash flow that could prop up the insolvent Dutch post office.[30] The first argument is without merit; FedEx and UPS show that private firms will enter the market and provide postal delivery wherever someone is willing to pay for it.

The second argument is a warning that future privatizers of the USPS must be wary of. As noted above, the U.S. Postal Service has already tried to enter unrelated markets in an attempt to balance its books and

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expand its powers. Further, Postmaster General William Henderson has publicly stated his desire to make all electronic bill payments go through a USPS monopoly and to have the USPS own an e-address that matches every physical address.[31] Keeping the Dutch privatization example in mind, one can imagine how the USPS might use privatization to make these plans a reality.

Both domestically and internationally the facts indicate that there is much to gain from privatization and little to lose. It is surprising that the U.S. government has not yet made substantial moves toward relinquishing its monopoly over mail delivery. After all, the overseas examples, in addition to domestic examples in air travel, telecommunications, and trucking, testify to the virtues of privatization. Regardless of why the USPS has not yet been privatized, the verdict stands. It is time to put an end to the government mail monopoly. □

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Subsidizing Failure Again . . . And Again, and Again, and Again

by Scott McPherson

Following the September 11 terrorist attacks the airline industry stepped up to the public trough to the tune of a $15 billion bailout—because of a radical *drop* in demand. Then Amtrak stepped up to the public trough—$3.2 billion in emergency financing and $35 billion in loan guarantees—following an *increase* in demand. Americans have become so accustomed to paying out for corporate welfare that one must wonder if they pay attention anymore.

This latest proposal for a spending splurge is the work of South Carolina Senator Ernest Hollings. According to an October 11 Associated Press report, "Amtrak has experienced an increase in riders since the terror strikes"—which is apparently why lawmakers were queuing up to push a ten-year subsidization program that would "put Amtrak at the center of high-speed rail development nationwide," the report continued.

The problem seems to be the 1997 "Amtrak Reform and Accountability Act," which requires that the service be able to function without yearly aid by this year. So let us ponder this for a moment. Rail service isn't popular enough in the United States for Amtrak to exist without its hand constantly in the public cookie jar. Then a tragic event like that of September 11 reawakens a call for that older, slower, but now-believed-safer means of long-distance travel. And as a result of this influx of funds—from consumers, this time—Amtrak needs . . . more subsidies?

That dubious logic is embraced by members of both political parties. Alaska Republican Representative Don Young has proposed his own $71 billion ten-year program to breathe new life into this revitalized industry.

They're Not Kidding

Only in Washington, D.C., can someone keep a straight face while reporting that a switch in market demand from air travel to rail travel requires not just government assistance for the struggling airline industry but for the now-favored passenger rail trade as well! Actually, it isn't too surprising when one considers that the politicians and bureaucrats manipulating this nation's economy believe that a person who breaks a window deserves praise for helping the glass business.

The ostensible reasoning behind this latest government handout is that with the recent

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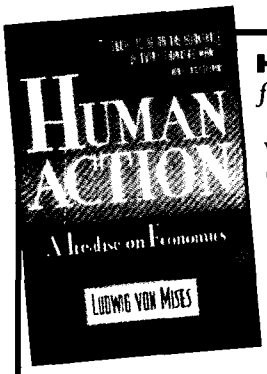
surge in demand for rail service, Amtrak is evidently incapable of meeting the need with comparable supply; systems upgrades would take too long, and adequate rolling stock is not in place to transport passengers and cargo to their respective destinations. But is not one of the greatest feats of the free market its uncanny ability to quickly and efficiently direct resources where they are most needed?

Nothing better demonstrates Americans' lack of understanding of capitalism—and their total abandonment of the kind of independent thought that built this country—than this persistent belief that successful and dynamic businesses are built not on profits, wise investments, and individual initiative, but on weak-kneed, whining political pull and the corporate dole. Nothing could better illustrate the businessman-turned-helpless-panhandler than Amtrak president George Warrington declaring that calls for his company to attain self-sufficiency—in the wake of rising demand, no less—are "impractical and irrational."

Ironically, if one follows this logic, the business empires of Commodore Vanderbilt, John D. Rockefeller, and Bill Gates, built *without* government assistance, are "impractical and irrational"—while Amtrak gets a pass on Economics 101, courtesy of the U.S. taxpayer. □



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foreword by Bettina Bien Greaves

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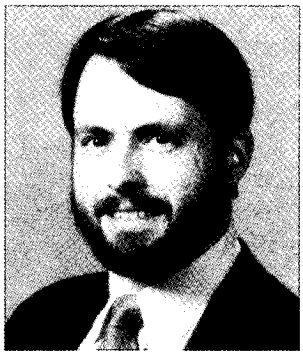

Making Terrorists Pay

If there is one lesson the United States must teach after the September 11 atrocities, it is that terrorism does not pay. Washington should allow, indeed encourage, victims of terrorism to go after the assets of the perpetrators.

A pregnant widow of one of the victims of the World Trade Center attack was the first to file suit against Osama bin Laden and the Taliban. Washington froze $254 million in Taliban assets in 1999. But in the past the State Department has opposed making foreign governments pay for their actions. So Representative Chris Cannon introduced legislation to open foreign assets to U.S. judgments.

As he explained, "If people go to court and can get a judgment that their family member died because of Osama bin Laden and the Taliban, then they should be able to collect from money we have frozen."

But the State Department, preferring to use the cash as a bargaining chip, pressured Congress to drop Cannon's amendment from last fall's anti-terrorism bill. So he introduced it as a separate piece of legislation.

Cannon's bill is important not just for those murdered on September 11, but for past victims of terrorism. For instance, in 1999 Congress sought to make it easier for the victims of terrorism to collect from irresponsible governments; the Clinton administration immediately issued a national security waiver.

That led to expanded pressure from Capitol Hill and intricate negotiations with the administration, and ultimately passage of the Victims of Trafficking and Violence Protection Act, which narrowed the president's authority. Explained then-Senator Frank Lautenberg, "It is our intention that the President will consider each case on its own merits; this waiver should not be applied in a routine or blanket manner."

Because of State Department opposition, sponsors were forced to create a two-tier system, with some victims receiving mandatory payouts and others left reliant on the goodwill of federal bureaucrats. As a result, $97 million in Cuban government money was used to compensate the families of anti-Castro activists whose planes were shot down by Havana in 1996.

Still waiting for their money, however, are William Barloon, Kenneth Beaty, David Daliberti, and Clinton Hall, all of whom spent various time in Iraqi prisons—either after being kidnapped by Iraqi border guards or having mistakenly crossed the border. They were awarded almost $19 million in federal court in 2001.

Last fall, Jack Frazier won a default verdict against Iraq for holding him, along with more than 50 other Americans, as human shields in the U.S. embassy in Kuwait during the Gulf War. Also waiting is the family of Charles Hegna, which won a default ruling against Iran for its support of Hizbollah terrorists, who murdered him after hijacking his

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Kuwait Airlines flight. Similar verdicts have been rendered against Iran for backing the group Hamas, which killed Leah Stern and Ira Weinstein in terror bombings in Israel.

No doubt, opening up the assets of foreign states to seizure would complicate the State Department's job. But fighting terrorism is a complicated business.

Anyway, the Department has used frozen funds to pay compensation to large corporations, such as AT&T, for their foreign claims. Apparently Iraqi money has been used even to pay China for its "expenses" caused by the downing of the U.S. spy plane.

The administration should announce that, absent overwhelming national security justification, it will not block any court award to any victim of terrorism, past or future. If the State Department continues to stonewall, Congress should mandate payment of such claims.

Needless to say, the principle of compensation cuts both ways: innocent foreigners harmed by the U.S. government should also be able to pursue legal claims.

Don't Penalize Americans

At the same time, it is important not to penalize American citizens for the crimes of terrorists. In particular, fundamental liberties should not be wantonly sacrificed, since they are what make this nation unique and so great. Government needs power to fight enemies of America, but that power must remain constrained, since it is easily abused by even the best-intentioned.

Standing up for America requires a willingness to tolerate the risks that inevitably face a free and open society. To close off America from the world or abandon the liberties enjoyed by American citizens would result in an enormous victory for terrorists.

Equally important, the U.S. military must focus more on real threats to America, which today emanate less from traditional ideologies like communism and more from developing theologies like radical Islam. That means more resources devoted to traditional defenses at home and unconventional capabilities abroad.

But such an effort does not require a military buildup. To the contrary, spending can shrink as resources are better deployed. What is needed is not a new Office of Homeland Security, but a Defense Department that focuses on protecting the American homeland. For instance, fighters are not needed to guard Europe from the nonexistent Red Air Force; they are needed to police America's own airspace.

The silliest proposal of all is to restart conscription. Stanley Kurtz of the Hudson Institute worries that "there may be no other way out." But over the last three decades the United States faced the Soviets, won the Gulf War, blasted Serbia, and invaded or deployed to a host of small states. All with a volunteer military.

And unless one plans on attacking—and occupying, for years—Afghanistan, Iran, Iraq, Libya, and Syria simultaneously, today's force is far more than sufficient. Indeed, the volunteer military is better trained and motivated than any draft force, which is why the Pentagon has no interest in returning to the agonies of conscription. In any case, it would take months to turn raw draftees into soldiers.

More important, focus groups suggest that many potential recruits want to protect America, not engage in global social engineering. Forces to protect against terrorism could be freed up if the U.S. government were no longer defending prosperous and populous allies that face no serious security threats and policing civil wars that are irrelevant to our security.

Finally, it is important to forge cooperative international relationships to destroy small, shadowy terrorist networks that span the globe and to deny terrorists sanctuary.

At the same time, the United States must beware becoming ensnared in the volatile political problems of other states. Unfortunately, Washington has long seemed oblivious to how easy it is to make enemies, and how well able they are to cause grievous harm. The U.S. government must not create new terrorists while attempting to eliminate old ones. □

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IDEAS ON LIBERTY
FEBRUARY 2002

Give Me Your Tired

by David A. Dorn

I'm tired. Spending 14 hours in the air going from Athens, Greece, to Frankfurt, Germany, and back home to Phoenix in one day made me very tired. While standing in line at the U.S. Customs Bureau checkpoint, I thought about the words that are inscribed on the Statue of Liberty, the symbol of freedom not only in America but beyond its borders as well. *Give me your tired, your poor, Your huddled masses yearning to breathe free.*

I was one of those tired. Fortunately, I was not one of the poor, despite the fact that 50 percent of my income is extorted every year. But I felt like I couldn't really breathe free, as Emma Lazarus proclaimed. Let me contrast arriving in the United States with arriving in Europe.

When I landed in Germany for a stopover, and then in Athens on the first leg of my trip, there was no customs line to stand in. There was no check of my passport or anything. Last year when I flew into Madrid and Amsterdam, the same thing happened. *Come on in and give me your dollars, your guilders, your drachmas, your Deutsche marks, or your Visa debit card. We don't care. Just spend money.*

During my three-hour layover in Germany I had enough time to reflect on the fact that not too many years ago there was a wall between East and West Berlin. The people in East Berlin could not leave without much difficulty, and it was difficult too for those who wanted to enter East Berlin.

The East German communists did not want tourists coming in and spending their money freely, since if that happened their citizen-slaves would begin to know what capitalism is about. Of course, since most of the shelves were bare, there wasn't much to buy anyway. But in the absence of a wall, it's likely that entrepreneurs would have developed businesses to provide goods and services that the tourists wanted. They would earn money and perhaps want to buy their own goods and services. Certainly the collectivist state would not like that, since it was the provider and owner of all.

The state of course didn't want its citizen-slaves to see too much of freedom on the outside, otherwise they would want more of it for themselves, and many of them would not come back. As it was, many defected if the chance arose, and many more were shot trying to escape the tyranny behind the wall.

The wall may have come down in Berlin, but walls have been erected in the United States of America. The wall caused lines to form when over 300 passengers from our Airbus landed in Phoenix to be shuffled through the barriers manned by the bureaucrats.

There were two lines, one of which I stood in for about 15 minutes. I guess I'm lucky, since last year I had to wait about 30 minutes. Some may say 30 minutes is not too

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long to wait to "protect our borders." But don't the other countries I visited care about who comes in to their countries? Obviously not.

The other line was for non-U.S. citizens, and it seemed to be moving much slower. There were about six clerks to screen the whole plane, which wasn't enough for the job, assuming that the job was necessary in the first place.

After getting to the Customs clerk's window, my passport was scanned into a machine. For what purpose they never told me. Breathe free? Not yet. After getting my luggage I then had to present my form #6059B to the next bureaucrat. The Customs Declaration form #6059B had been given to me on the plane prior to landing.

The front of form #6059B asks 14 questions in all, and the first eight ask things such as name, address, flight number, and even your birth date. I guess they want to send you a card every year.

Question 9 asks what other countries you visited. There is room for only four countries on the form. I have to admit that last summer I visited five, but only listed four. I took a brief side trip to Belgium to eat a waffle and didn't stay very long, so I took a chance. I'm probably admitting to a felony, but I'm hoping the statute of limitations will run out soon.

Question 10 asks the purpose of the trip, with blocks for "business" and "personal." They say it's okay to check one or both. Why do they want to know? Could it be they share this form with the IRS?

Question 11 asks whether you're bringing in fruits, plants, meat, food, soil, birds, snails, other live animals, wildlife products, or farm products, and if you visited a farm or ranch outside the United States. I answered no and told two more lies. I smuggled a bag of pretzel snacks off the plane, and I later discovered I had some pigeon poop from Athens lodged in the sole of my sneaker. Sounds like wildlife products to me.

Question 12 asks if you are carrying currency or monetary instruments over $10,000. I know they are serious about this question, since a friend of a friend spent time in jail for having over $10,000 in traveler's checks between himself and his girlfriend that he neglected to declare. I could honestly answer no.

Question 13 asks about commercial merchandise, which they define on the back of the form as essentially articles for sale. (There's a "yes" box and a "no" box; you're asked to "Check one box only." Seems reasonable.)

And Question 14 asks you to list the value of all the foreign goods you're bringing into the United States. The government charges a duty of 10 percent on the first $1,000 over the $400 exempted amount. They don't say how much the duty is for greater amounts, but like the MasterCard commercial says, some things are priceless. Certainly the things I bought were.

Then you have to sign your name certifying that you read the tiny print on the back of the form and you are answering truthfully. The first sentence at the top of the back of the form warns in all capital letters: "ALL PASSENGER [sic] ARE SUBJECT TO FURTHER QUESTIONING AND THEIR PERSONS, BELONGINGS, AND CONVEYANCE ARE SUBJECT TO SEARCH. (19 CFR 162.3–162.8)" Nice way to be welcomed home.

Fortunately I skated through. The funniest thing on the back of the form is the Paperwork Reduction Act Notice. It says, "The estimated average burden associated with this collection of information is 3 minutes per respondent. . . ." What a bold-faced lie.

Remember I mentioned that your signature certifies that you read the notice on the reverse of the form? I read the tiny print in its entirety, and even with a master's degree my best time was three-and-a-half minutes. Plus if I had to look up and read 19 CFR 162.3–162.8 that could have taken me hours.

Maybe I'm picky. But just like the huddled masses, I yearn to breathe free. I don't like standing in government-mandated lines such as those encountered at Customs, and I don't like filling out government forms under penalty of fines and/or imprisonment. Let me and all the others standing in line come freely into the United States and

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engage in any peaceful transactions we please, just as the other countries did.

* * *

This article was written before the events of September 11, 2001. Although not explicitly mentioned in the article, I advocate open borders. Certainly many things have changed since that fateful day, such as concerns about airplane safety, biological attacks, and war and peace around the world. One thing that has not changed for me is the issue of open borders.

I ask the advocate of closed borders, or perhaps one who is wavering on the issue, the following two questions: Assuming you want to close the borders, can you? And if you could completely close the borders, would you want to live in the United States?

Based on logistics alone, my answer to question number one is no. According to the *World Fact Book,* published by the Central Intelligence Agency, the coastline and border areas of the United States (including Alaska and Hawaii) add up to 32,172 kilometers, or about 19,000 miles. This perimeter is composed of 12,248 kilometers of land and 19,924 of water.

Certainly we have been unable to prevent many thousands of Mexicans from crossing illegally into the United States through a relatively small portion of that area, even though this is the stated goal of our immigration authorities. I think it highly unlikely that our efforts along the Mexican border could be expanded to the rest of our borders and coastline. Even if they could, they would likely be as ineffective.

We have also had a concerted War on Some Drugs for the past 30-something years. Obviously our borders are like a sieve for bales of marijuana, which are as big as people. Other drugs, and those people who carry them, come in with relative impunity.

The closest thing to a truly closed border is the federal prison system. The prisons have thick concrete walls, barbed-wire fences, 24/7 surveillance by armed guards and video cameras, frisking of prisoners, and limited visitors under strict supervision. The administrators strongly desire to have a closed system. Yet stories abound about how prisoners can get almost any drug they want. If they can't keep those drugs out of the prisons, how could they keep them off our streets that are not as well patrolled?

Therefore I also answer no to my second question. Even if we could close all the borders, the country would resemble a federal prison. As long as I continue to breathe, I don't want to live in that environment. Do you? □

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IDEAS ON LIBERTY
FEBRUARY 2002

Immigration Is Win-Win

by Dustin Kenall

We need immigration. That thought, which even political leaders, until recently, were starting to entertain, may at long last affirm the hopes of liberalization advocates and the millions of individuals, families, and children—native and immigrant—whom they represent. Immigration reform has long lagged behind the issue of trade liberalization, the predominant international economic-policy concern for the second half of the twentieth century. In fact, a concerted multilateral effort at liberalizing the movement of people along with goods and capital across borders never coalesced before or after World War II. But both the human and economic costs of closed borders have awakened even some politicians to the danger of acceding to atavistic nativism.

The European socialists' berating of America for its unfeeling political culture is exposed for the hypocrisy it is when examined in light of their (and Japan's, for that matter) xenophobic immigration laws. Yet the American left, which allegedly represents the interests of the marginalized class, has remained deafeningly silent within the Democratic Party and obstreperous and obstructionist from without. In 2000, 491 Mexicans died trying to cross the border. These are not the rich. These are not the well-off. These are the young and the poor of a third-world nation. These are people looking for work, not welfare, in an economy that has created more than 35 million new jobs in the past two decades, and in a work force that prides itself on its competitive flexibility.

Their children are faring little better in the callous hands of U.S. immigration policy. The number of migrant children in detention has swelled from 2,400 to 4,600 in only three years. Their parents, fearing deportation, hide from the authorities, leaving the children to wait in limbo until they are dutifully shipped back to their respective homelands.

The Immigration and Naturalization Service is staffed by compassionate men, no doubt, but like the Drug Enforcement Agency, it is entrusted with a Herculean task; namely, to surmount the insuperable forces of market supply and demand in pursuit of poorly reasoned public policy. As long as there remains a demand for narcotics and migrant labor there will remain an accommodating supply. Prohibition merely shoves problems into the back alleys of society, where human depravity has free rein and complicates matters by introducing violence, prostitution, and even smuggling into the equation.

Indeed, human smuggling, like its drug counterpart, has emerged as a lucrative unregulated black-market operation, international in scope and devastating in impact. The recent U.S. border tightening has only

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squeezed it into the less-accessible corridors of the country, particularly the desert regions, in which most deaths are concentrated—at least 157 in 2001. Across the Atlantic in 2000, 58 Chinese attempted-immigrants asphyxiated in a container lorry in the English port of Dover. Worldwide, estimates are that between 700,000 and 2 million women and children are trafficked every year. Perhaps this is why Europe has ended its long-lived policy of tergiversating silence and far-right pandering on immigration. Prime Minister Tony Blair and his Italian counterpart Giuliano Amato noted in a recent joint article: "People trafficking is the world's fastest-growing criminal business. There is evidence that traffickers have thrown women and children, many of whom cannot swim, into the Adriatic to avoid detection by police patrol boats." The pusher follows the product.

Immigration After September 11

Of course, there are those who contend that the terrorist massacres last year necessitate a vigorous tightening of America's borders to deter, or at least not facilitate, the murder of our own citizens by those who would turn freedom against itself. The provocative question here is not the appropriate balance between freedom and security; rather, it is between the possible and the impossible. It is possible for the government to enact statutes promulgating the cessation of immigration of persons from "hostile" countries. It is impossible for the government to enforce them. The government can change the face of immigration—from legal to illegal—but it cannot alter the fact of it through any means yet known or tried. Examination of the 2000 census data proves this. Through law government can—and have no doubt would—deter legal immigration, just as gun-control laws disarm citizens but leave criminals, who by definition avoid the law, well-equipped and better advantaged. But neither incarceration nor the threat of death will stop those who are determined to get here. If we futilely restrict freedom, we will inadvertently bias the struggle on our enemies' behalf.

A litany of the gains of open immigration, focusing on how immigrants and their children increase economic growth, is a convincing argument for market advocates. Interventionists can add that immigrants pay their own way in public services and stretch the shrinking worker-retiree ratio. The compelling argument for the social left should be that an open border policy can accomplish what a dozen World Bank projects, millions of U.S. tax dollars in aid, and all the functionaries of the U.N. council of global poverty combined cannot: end or reduce poverty in the third world. Because when the stream of aid money dries up and when a regime sees its tax and military conscription base ebb along with it, the law of natural selection becomes unavoidable: change or dry up. The brain drain of the best and the brightest from India, Brazil, Vietnam, and elsewhere cripples the economies of poor-performing goverments, while invigorating our own.

Free labor and free trade should have always been win-win situations politically. It is right reason in alignment with right sentiment. Surprising that it should take so long, with all the attendant lost opportunity, slighted dreams, and wanton deaths, for politicians to see that. □

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Split Decision

The Second Amendment's affirmation of the right to keep and bear arms applies to individuals, not collectives. Anyone who can read plain English already knew that. But now we have a U.S. appellate court saying so. That can't hurt.

The October ruling of a three-judge panel from the Fifth Circuit Court of Appeals grew out of the Texas case of Timothy Joe Emerson. Dr. Emerson was going through a divorce and was subject to a temporary restraining order. Federal law forbids anyone subject to a restraining order from having a firearm. He was charged with violating that federal law. (Emerson was later acquitted of state charges in the incident involving the gun.)

In 1998 Emerson challenged the law, and federal District Court Judge Sam R. Cummings declared it unconstitutional on grounds that constitutional rights are too important to be abrogated by so casual a means as a "boilerplate" restraining order in a divorce action. To support his finding that the right at issue belongs to individuals, Judge Cummings engaged in a lengthy scholarly disquisition on the history and philosophy of gun ownership and the Second Amendment. The Clinton Justice Department appealed, arguing that the Second Amendment referred not to individuals but to states and their organized militias, or national guards. (For more on the case, see my "The Big One?" in the October 2000 issue.)

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This set the stage for the appellate ruling and opinion. (The opinion can be found at the Second Amendment Foundation Web site, www.saf.org.)

The ruling essentially answered two questions: is the law that Emerson was charged under constitutional and does the Second Amendment protect an individual right? On the first, all three judges upheld, against Emerson, the law forbidding guns to those who are subject to restraining orders. (More on that below.) But two of the three judges endorsed Judge Cummings's position that gun rights are individual rights.

In arguing for an individual right, the judges establish that the 1939 U.S. Supreme Court case, *U.S. v. Miller,* which the gun controllers depend on, fails to support the government's contrary position. *Miller* in no way hinged on whether the defendants were members of the national guard. In fact, the justices specifically noted that at the time of the framing of the Constitution, the militia was considered to consist of "all males physically capable of acting in concert for the common defense."

Thus the Fifth Circuit judges have authoritatively pulled away a key pillar in the gun controllers' case. The Supreme Court has never held that the right to keep and bear arms is something other than an individual right. The judges also demolish the claim that the term "the people" in the Second Amendment means something different from what it means in the rest of the Constitution: "It appears clear that 'the people,' as used in the Constitution, including the Second Amend-

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ment, refers to individual Americans." Further, they dispose of the argument that the amendment's preamble, "A well-regulated militia being necessary to the security of a free state," implies a collective right. They point out that the preamble is fully consistent with the individual-right interpretation: "We conclude that the Second Amendment's substantive guarantee, read as guaranteeing individual rights, may as so read reasonably be understood as being a guarantee which tends to enable, promote or further the existence, continuation or effectiveness of that 'well-regulated Militia' which is 'necessary to the security of a free State.'"

The judges then follow up this logical argument by doing what Judge Cummings did before them. They delve into the historical record and conclude: "We find that the history of the Second Amendment reinforces the plain meaning of its text, namely that it protects individual Americans in their right to keep and bear arms whether or not they are a member of a select militia or performing active military service or training."

A Turn in the Wrong Direction

At this point, I fear, the judges' opinion takes a turn in the wrong direction; for while they find that the Second Amendment sanctions an individual right, they go on to say that the federal law at issue—forbidding people subject to restraining orders from possessing guns—is a reasonable limitation on that right. The statute does not violate the Second Amendment, they said, because before issuing a restraining order, a court has to be convinced of a "presently existing actual threat" and the presence of such a threat justifies a reasonable restriction on the right to bear arms. They are satisfied that the judge who issued the restraining order had grounds to be so convinced, even though he made no express findings to that effect nor are any required by the federal statute. It is enough, the judges say, that the statute requires a hearing on the restraining order and that the order explicitly forbade the use or threat of force. They reinstated the indictment. Emerson will have to stand trial, unless his planned appeal to the U.S. Supreme Court succeeds.

Thus the victory for Second Amendment rights is mixed. As it now stands, at least in the Fifth District (Texas, Louisiana, and Mississippi), individuals have a recognized right to keep and bear arms. Any proposed gun regulation would have to be consistent with that presumption, *but in principle* such regulations are possible. Who knows what regulations judges might find consistent with the right to keep and bear arms? Courts have been too willing to defer to legislative discretion in the past.

The Fifth Circuit judges have embraced the view that gun rights can be subject to exceptions, despite the categorical language of the Second Amendment ("the right to keep and bear arms shall not be infringed"). But can a right be subject to exceptions defined by legislatures and still be a right? As Jeff Snyder wrote in "Rights Without Exceptions" (*Ideas on Liberty*, May 2001): "A right, to be a right, must be absolute, that is, subject to no exceptions and held or respected as an end in itself, not as a means to some other end. Otherwise, it does not stand outside and above the law, but becomes subject to it, a mere creature of legislative action, majority rule, and the peripatetic opinions of judges. If the right is not absolute, you absolutely have no right."

A standard reaction might be that surely in the name of public safety, a legislature can devise reasonable regulations regarding the possession of guns. Snyder responds: "The concept of 'public safety' has no inherent limiting principle that establishes its outer boundaries." Thus, an innocuous-sounding principle becomes a means for denaturing a natural right. □

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Capitalism and Coercion

by Allan Levite

A century and more ago, when Marxism was in its ascendancy as a theory, its followers (as well as many others) naturally believed its dogma about workers being the helpless pawns of capitalists—forced to sell their labor at less than its true worth, with no real alternative. But now, despite Marxism's collapse as both a theory and a founding ideology of communist governments, a very similar idea seems to be gaining ground: that big corporations force citizens to participate in the capitalist market system, or "compel" consumers to buy their products. Indeed, this idea can even be found in a good and useful book on the writing of history—written to *refute* the relativist, "postmodern" notion that historical reality is not objective fact, but only "socially constructed." The book is *Telling the Truth about History*, by Joyce Appleby, Lynn Hunt, and Margaret Jacob, all history teachers at UCLA. Here are the relevant quotes:

> One of the distinguishing features of a free-enterprise economy is that its coercion is veiled. . . . The fact that people must earn before they can eat is a commonly recognized connection between need and work, but it presents itself as a natural link embedded in the necessity of eating rather than as arising from a particular arrangement for distributing food through market exchanges. . . . Presented as natural and personal in the stories people tell about themselves, the social and compulsory aspects of capitalism slip out of sight and out of mind. . . . Far from being natural, the cues for market participation are given through complicated social codes. Indeed, the illusion that compliance in the dominant economic system is voluntary is itself an amazing cultural artifact.[1]

What is really amazing is how these three historians misunderstand the market process, especially the way it evolved naturally, over millennia, through trial and error—motivated by the efforts of all buyers and sellers to advance their well-being. This is not "far from being natural"; it is as natural as breathing. Furthermore, these authors make it sound as if capitalism became dominant because some authority imposed it on humanity. But history (especially recent history) clearly shows that capitalism won out over such competing systems as socialism because it works, while the competing systems failed miserably. To say, almost with an air of disdain, that capitalism is the dominant economic system, is like complaining that diesel locomotives have "dominated" (and replaced) the less-efficient steam engines. Historians, even more than others, should possess a greater ability (or willingness) to distinguish between mere

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FEE TODAY

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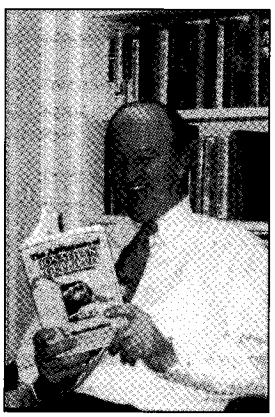
LET'S DOUBLE OUR EFFORTS IN 2002

by Mark Skousen



Remember the old ad jingle for Doublemint gum, "Double your pleasure, double your fun"? That's what we're doing here at FEE in the magical year 2002.

We've set some lofty goals for FEE in 2002. We aim to:

- Double the circulation of *Ideas on Liberty* (from 20,000 to 40,000).
- Double the number of books sold by FEE and Laissez Faire Books.
- Double the number of students coming to FEE seminars.
- Double the contributions to FEE, so that we can do more to spread the freedom philosophy around the world and fund several new programs (see page 4).

With your help, we will do it. Here's what I recommend you do to help us reach our goals:

First, think of a friend or relative who would enjoy receiving *Ideas on Liberty*. Make sure you choose people who will actually *read* the magazine. Send us the name and address and a check for $30 and we'll send out the first issue immediately.

Second, buy a book on liberty. Call Laissez Faire Books today at 1-800-326-0996 and ask for the latest catalog (or go to www.laissezfairebooks.com). Review the wide choice of books and videos and you'll see why we decided to become the new owners of Laissez Faire Books, the world's largest distributor of books on liberty, with book buyers in 90 countries. Then buy a book!

Adventures of Jonathan Gullible Wins First Leonard E. Read Book Award!

One book everyone should read is Professor Ken Schoolland's delightful satire, *The Adventures of Jonathan Gullible: A Free-Market Odyssey.* You'll get a kick out of the Council of Lords in the politically correct island of Corrumpo who impose a "tall tax,"

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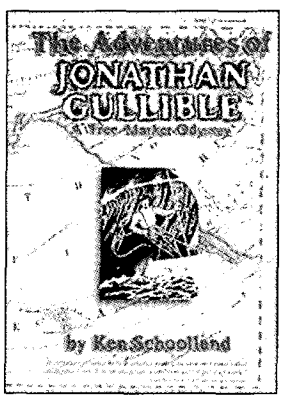
use an "applause meter" to decide how to vote, and ban dreamy "Merryberries."

In fact, we're so impressed with Ken Schoolland's book that we gave it the first Leonard E. Read Book Award for Excellence in Economic Education. I thought it was high time to name an award after our founder, who spent his life writing, publishing, and teaching the *basics* of liberty and sound economics in a way that every individual could comprehend. Since Len loved books and wrote 30 books himself, I thought it only appropriate to name our award the "Leonard E. Read Book Award." It cries out, "READ THIS BOOK!"

The Adventures of Jonathan Gullible is a simple, powerful, and amusing way to tell the story of liberty. A professor at Hawaii Pacific University, Ken reminds me of a combination of Bastiat and Jonathan Swift. Len would have loved this book, and so will you. Buy a copy today by calling Laissez Faire Books at 800-326-0996. Only $14.95, plus shipping and handling.

Ken's slim volume (118 pages) has already been translated into 20 languages, and you'll see why. It's an excellent book to give to friends, relatives, and students.

This is the first Leonard E. Read Book Award. The Read Book Award is an annual prize given to the author of a work judged by a FEE awards jury to be the best book in economic education published during the previous year. *The Adventures of Jonathan Gullible* qualified, even though it was first published in 1988, because the third revised edition came out in 2001.



The recipient receives an award of $2,000 plus a 1-ounce American Eagle gold coin minted in 2001.

We will present the award to Ken Schoolland at the FEE National Convention May 3-5 in Las Vegas, Nevada.

Update on FEE National Convention

Judging from the response we're getting from sponsors and FEE members, the FEE National Convention and Laissez Faire Books 30th Anniversary Gala Celebration will be a big hit. If you haven't already done so, call Tami Holland at 1-888-565-8779, or Kathy Walsh at 1-800-960-4FEE, ext. 209. You can also register online at our website www.FEEnationalconvention.org. Only $175 per person (until April 1, when it goes up to $225).

Leonard Read always taught that we should be learning new ideas all the time, not just teaching others what we already know. The FEE National Convention is all about learning "great ideas" from "great books" and "great thinkers."

Since we wrote last month, we've added many new sponsors:

Among think tanks and universities, we've added the Heritage Foundation, Hillsdale College, Intercollegiate Studies Institute, Goldwater Institute, Sutherland Institute, Heartland Institute, *Liberty* magazine, Centre for Civil Society (India), Gun Owners of America, Club for Growth, and many others.

We're also inviting corporate sponsorships. Collectors Universe, Asset Strategies International,

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GoldMoney, and Anglo-Irish Bank (Austria) have already signed on.

If you're interested in joining us as a nonprofit or corporate sponsorship, please contact Tami Holland at 1-888-565-8779. By the way, please welcome Tami as our new director of seminars. I've known Tami for years as an excellent program director. Give her a call.

We've also added a number of exciting speakers, including Stephen Moore, president of the Club for Growth and author of *It's Getting Better All the Time*, Richard Vedder and Lowell Gallaway of Ohio University, Gerald P. O'Driscoll of Heritage Foundation, Congressman Ron Paul, Gary North, and many others.

That's in addition to our Friday evening keynote speaker, actor Ben Stein, and our Saturday night banquet and Spring Dinner, where we will hear several top speakers.

For constant updates, see our website, www.FEEnationalconvention.org.

More Student Seminars Planned

We've already doubled the number of student seminars we're planning this year. Go to our website, www.fee.org, and click on "seminars" for the dates—we've scheduled seven student seminars so far, including the FEE Course on Sound Money and Free Markets at the FEE National Convention.

You are all invited to attend the John Anthony Krogdahl Memorial Lecture on Friday, March 8, where historian Burt Folsom will be our guest speaker talking about "Rags to Riches in America." There is no charge for this event, but you do need to register. Call 1-800-960-4FEE, ext. 209. And invite your friends.

In connection with the Krogdahl lecture, we are sponsoring our Spring Undergraduate Seminar in Economics and History that same weekend, March 8-10. Burt Folsom's Friday evening lecture establishes the theme of this 3-day event. If you know students who would like to attend, please contact Tami Holland at tholland@fee.org, or call 1-888-565-8779. Students may register online. See the ad on the inside back cover of this issue for more details. Also contact Tami about any of our summer seminars in Irvington-on-Hudson:

The FEE Course in Sound Money and Free Markets
June 9–14

Advanced Austrian Economics
June 23–28

New Approaches to Teaching Economics
July 7–11

The State in a Civil Society
August 11–16

Greg Rehmke Expands High School Debate Program

Greg Rehmke, director of high school outreach programs, has already doubled his efforts. Last year nearly 2,000 high school students attended FEE's debate workshops and guest talks. Greg also launched a series of economic education workshops for homeschool debate students. Over 400 homeschoolers and parents attended workshops in 2001 and January 2002 (go to www.freespeaker.org for photos and reports). FEE plans to promote free-market books, *Ideas on Liberty*, and lesson plans at more than ten homeschool conventions in 2002. Our high school outreach programs continue to expand and our new

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homeschool initiatives will reach thousands more students and parents in 2002.

New Website Up and Running!

By the time you receive this February issue, our exciting new interactive website should be up and running. We are doubling our efforts to have new information added every day, with links to articles of interest that will keep you informed. Check it out at www.fee.org.

Announcing Daily FEE News Service

Ron Holland has joined our organization to run the Blanchard Scholarship Fund and to edit the FEE News Service, which will highlight articles related to FEE's mission, and to keep FEE members informed about events and principles discussed around the world. If you would like to be a part of this daily e-mail service, contact Ron at rholland@fee.org.

Here's How You Can Help

We appreciate beyond measure those who will respond to our call for doubling our efforts. Thanks in advance for sending us new subscribers to *Ideas on Liberty* and placing books on liberty in libraries and among your friends. Thanks for coming to our FEE seminars and national convention, and signing up for our Daily FEE News service.

What more can be done? As you can see from the above, we are doing a lot. But we could do more if only we had the funds. So please DOUBLE your contributions from last year. We have great new plans listed below, but they all require additional funds beyond our current budget. We need help to....

- enroll more subscribers to *Ideas on Liberty*,
- create more student scholarships for FEE seminars,
- send more books on liberty to needy students both here and abroad,
- create a new website reviewing and ranking economics textbooks for high school and college students,
- start a telephone hotline updated daily about our numerous activities, and
- hire full-time research fellows to teach, research, and write books on free-market economics and the freedom philosophy.

Help us to achieve our goals.

Yours faithfully for freedom and prosperity,

Mark Skousen

Mark Skousen
President

Foundation for Economic Education
30 South Broadway
Irvington-on-Hudson, NY 10533

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metaphorical "force" and *actual* force.

We also need to examine the notion that injustice and exploitation exist whenever people are "forced" by circumstances to accept dangerous or low-paying jobs, or to buy products from capitalist firms. This deterministic view ignores the fact that the human race as a whole is indeed "forced" either to work for its bread or to starve—and to purchase most goods and services from *someone*, since humanity has long since passed the primitive stage in which each farm-household was self-sufficient and able to make everything it needed. To write their book, the three historians would formerly have had to buy a typewriter from a capitalist firm or write the entire manuscript in longhand, a laborious and time-consuming process. More likely, they purchased a word processor or personal computer and wrote their book far more efficiently. Were they "forced" to do so—or did they do it because they saw the tremendous advantages of such electronic equipment?

As for employment, accepting the best (or only) offer available, as unattractive as it might be, is *not* the equivalent of slavery—a situation in which actual violence, or the threat of it, is used to compel people to labor without pay and without the option to seek other work. That circumstances limit one's choices does not prove that one has neither the capacity nor the opportunity to choose, since everyone's choices are limited.

Having few alternatives instead of many is hardly the same thing as being compelled by physical force to make a particular choice. A merchant who is driven by competition to sell his wares at lower prices than he had hoped might just as well complain that he too is a victim of circumstances, "forced" to sell at "unjust" prices. In fact, quite a few businesspeople have been saying exactly that for a long time—complaining about competitors undercutting their prices—which is why U.S. manufacturers constantly beseech Congress to enact higher tariffs to stop the Japanese and the Taiwanese from "dumping" low-priced goods on the U.S. market. This is also how the so-called "Fair Trade" laws—a domestic version of the same principle—came to be passed. (Fortunately, they were repealed some years ago.)

And speaking of prices, it would be well to remember that capitalism's critics, especially during the 1970s, were bewailing the rising prices that government-produced monetary inflation had caused, blaming them on corporate "greed." Yet the *falling* prices of the subsequent period, especially noticeable in the case of PCs, VCRs, cellular phones, and other new technology, seem to have largely escaped the notice of such critics.

If the three historians were looking for "compulsory" features in an economic system, they should have been examining socialism, not capitalism. It is precisely the competitive aspects of the capitalist market that assure consumers real choice, instead of the compulsion of having to buy *one* government-manufactured product without competitive models to choose from. Indeed, at other times, writers with such views—when they let their guard down—complain about how capitalism has produced too much and allows for too many choices! French Marxist writer Simone de Beauvoir, visiting America, complained of the "shameless profusion of goods" in the drugstores.[2]

The Illusion of Corporate "Power"

Often critics of capitalism complain that corporations undermine democracy because of their possession of such economic assets as buildings, capital equipment, and large sums of money. The critics sometimes claim that the assets of the larger corporations exceed the GDPs of some smaller nations. But it is hardly fair to contrast corporate assets—which were gained by producing and selling goods consumers were willing to buy—with the revenues of governments, which extract taxes by genuine compulsion, or the threat of it. If I refuse to use Microsoft Word for Windows on my home PC and stick to Word Perfect for DOS instead—as indeed I still do—nothing happens to me. If I refused to pay my *taxes*, little imagination is required to predict what would happen to me. To harp about nothing but *corporate* "compulsion" in the face

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of the horrendous atrocities and injustices perpetrated by *governments*, especially during the twentieth century, is the height of folly. If corporations ever did take over and begin ruling the world, as some Marxist writers think they might, this could hardly be worse than having governments rule the world.

Critics of capitalism seem to treat current corporate control of economic assets as if it were permanent and unassailable. But just as "God is no respecter of persons," capitalism is no respecter of corporations. Firms that sell products consumers do not wish to buy either go bankrupt or lose money on the product and soon discard it, as Ford did with the Edsel.

The history of capitalism is littered with such examples. There was a time, not so long ago, when Sears had such a vise grip on American retailing that it looked like no power on earth could upset its hegemony. Then along came a small, little-known regional chain of stores called Wal-Mart—ruthlessly efficient and catering quickly and responsively to consumers' needs—and it knocked Sears right off its perch. There was a time when Sears executives would have laughed at the mere mention of Wal-Mart. But now they must be weeping instead, since by the late 1990s Wal-Mart's sales figures were more than double those of Sears. That's not the end of the story, however. Wal-Mart is now experiencing competition from merchants on the Internet, which might eventually spell disaster.[3]

At IBM during the early 1980s, who would have believed that the tiny firm from which it licensed its operating system—Microsoft—would by the late 1990s have a market value almost triple that of IBM? But that is just what happened. As these examples show, the "control" of economic assets under capitalism is hardly as permanent and threatening as it is made out to be. Since it is constantly in flux and highly transitory, changing hands from one competitor to another at the whim of consumers, how can anyone contend that this wealth is "controlled"?

The "corporate control" argument also insinuates that capitalists will typically make the right decisions and use their assets efficiently, in order to maintain that "control." But many don't, and they are the firms that soon miss the market dominance they might have obtained. Xerox may be the prime example. It invented its own personal computer, as well as the graphic user interface, the mouse, and PC networking—*before* such competitors as Apple Computer did. If Xerox had simply followed through effectively on the technological breakthroughs it already possessed, it would have reaped billions and would probably have controlled the PC market for years. But Xerox top management, not very farsighted, saw little market potential in these innovations; and when it finally rolled out its PC products, they were too late, too high-priced, and too clumsily marketed.[4] Having such "control" over product research and development was no help to Xerox in that industry.

Blame Enough to Go Around

A noteworthy feature of the argument that the free market is actually an instrument of coercion is that huge corporations are not the only ones blamed. Soon it becomes *self*-blame. For example, a college student recently claimed that "each and every one of us is at fault [for poverty]. In tolerating and even supporting a viciously capitalistic society, *we* are to blame."

Another writer maintained that "the *real* responsibility lies with the consumer. . . . *We* are to blame for the logging of the rain forest, ozone depletion, unsanitary work conditions, sweat shops, child labor violations, sexism, racism, homophobia and human rights violations every time we put money toward a company that participates in or indirectly contributes to these transgressions. When money is put toward a product, we essentially reinforce everything else the manufacturing company is doing." (This brilliant analysis was the product of a journalist. Kalle Lasn, previously a documentary filmmaker, similarly advocates holding shareholders personally responsible for corporate misbehavior.)[5]

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Clearly, these writers' self-blame overrules their logic. Politicians routinely deceive their constituents, abuse their powers, sell their votes to vested interests—and vote to finance wars on other nations. In the twentieth century alone, wars claimed tens of millions of lives. So, by using the same reasoning, anyone who has ever cast a vote for a politician should share the blame for his actions and their consequences, which are often deadly. The only way to avoid taking on this burden of accountability would be to avoid voting altogether—making monarchy morally superior to democracy.

In much the same way, to befriend someone would imply moral indifference to every sin that the new friend might have ever committed. Living up to this standard—by reserving one's friendship only for those without sin—would result in a very lonely world indeed. This consumer-responsibility argument, however, has been used very selectively. Boycotts were organized against companies that did business with South Africa, since buying their products was said to support apartheid. When Western firms started trading with the USSR and Maoist China, however, it was said that buying their products did *not* imply support for those governments, but was rather a contribution to world peace and understanding.

Benevolent Lies

The corporate "coercion" idea implies that this power will be used for selfish ends that will inevitably tend to work against the public interest. From every news medium, as well as from films and television shows, we are bombarded by the argument that corporations lie and deceive because they have an economic interest in doing so—as if governments, by contrast, have a vested interest in telling the truth. A few examples will suffice to demonstrate that this is hardly the case.

> WASHINGTON [AP]—Social Security Commissioner Stanford G. Ross said Thursday people must *forget* "myths" about contributing to their own retirement and recognize the payroll deduction for what it is—a tax to support the elderly, the disabled, and their families.
>
> Ross, who is resigning next month, criticized what he said is a *widely held belief* by the nation's workers that Social Security benefits are a "a sacrosanct entitlement" earned from "*contributions*" to the system.
>
> The "*myth*" that the Social Security levy is a contribution, not a tax, "*proved valuable in the early days of the program*, but . . . is helping to confuse the debate over Social Security today," he said.[6]
>
> * * *
>
> Former Food and Drug Administration Commissioner David A. Kessler and former surgeon general C. Everett Koop bowed out of scheduled appearances today before a key House subcommittee studying the proposed tobacco settlement.
>
> The No. 1 reason?
>
> *They didn't want to testify under oath.*
>
> After committee staff members told them to expect to be sworn in, they declined to appear, saying the oath-taking was designed to put them "on some sort of parity" with five tobacco executives who testified in January, according to the pair's letter to the committee. . . . "We have devoted much of our professional careers to . . . working for the public health. . . . We see no reason for the committee to suggest that *our* testimony about tobacco now *requires* that we be . . . treated akin to tobacco executives."
>
> . . . The tobacco executives were sworn in with much fanfare in January; major *government* witnesses have *not* been.[7]

This seems to have been a judicious decision on their part. In July 1998, a federal judge vacated the EPA's 1993 report on the dangers of secondhand smoke, because it was spurious. One courageous newspaper columnist summarized what the EPA did:

> 1. It started with a conclusion.
> 2. It cherry-picked the studies it would include in its analysis.

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3. When even the cherry-picked studies failed to show a statistically significant correlation [between secondhand smoke and cancer], it changed its methodology from the standard 95 percent to 90 percent.
4. Even by the bogus 90 percent standard, the cherry-picked studies showed only a very small risk.
5. It hid from the public the information that it was supposed to make available.
6. It lied about why it changed the standard.[8]

This was not the first time the EPA violated the 5 percent confidence rule, which is an established statistical principle. EPA studies in support of the claim that 20,000 people die annually from radon gas in their homes used the same tactic. Analysts ran radon exposure studies using the 5 percent rule and found nothing, so they increased the parameter to 10 percent. Suddenly the computers spit back what appeared to be a "nationwide epidemic of radon death," and the EPA then declared radon to be a major threat.[9]

As these examples of official deceit indicate, bureaucrats can hardly be said not to have a vested interest in maintaining their power and jobs. Much of what they do is done not to actually accomplish anything, but to justify the size of their budgets and keep them from being trimmed when the next fiscal year's budget is being written. And while consumer boycotts can damage the profitability of capitalist firms, bureaucrats need never worry about having to cater to public demand. They are insulated from criticism. Having been appointed rather than elected, they cannot be directly voted out of office. If anything, "coercion" comes from government bureaus, not corporations.

In the face of all this evidence—much of which is obvious—one cannot help but wonder why so many people see coercion where it does not exist. Part of the answer lies in H. L. Mencken's adage that Puritanism is the haunting fear that someone, somewhere, may be happy. The counterpart of this is that today's statists are people who constantly worry that someone, somewhere, is using free will to make a *choice*. To them, choice is the root of all evil. If they had to concede that human action is freely chosen, the entire structure of their many-faceted argument for socialism or government intervention would collapse. If individuals' behavior is based on choice, then the freer their choices, the greater the extent to which their utility is maximized, and the better off they are. This leaves little room for a government with any more power than that of the proverbial night watchman: to protect the public safety and leave everything else alone. Only by denying that free choice exists—and implying instead that human action is "coerced" by some "power structure" such as corporations—can one build a rationale for the interventionist nanny-state. But it is not far from philosophical *denial* of free choice to physical *prevention* of it—all "for your own good," of course. We may indeed see the face of coercion to an ever-greater extent, but if it comes, it will be delivered by the state, not the market. □

1. (New York: Norton, 1995), pp. 120–21.
2. Quoted by Richard Pells, *Not Like Us* (New York: Basic Books, 1997), p. 167.
3. Lester C. Thurow, *Building Wealth* (New York: Harper, 1999), pp. 25–26.
4. Paul Freiberger and Michael Swaine, *Fire in the Valley: The Making of the Personal Computer* (New York: McGraw-Hill, 2nd ed., 2000), pp. 324–26. For the complete story, see Douglas K. Smith and Robert C. Alexander, *Fumbling the Future: How Xerox Invented, Then Ignored, the First Personal Computer* (New York: William Morrow & Co., Inc., 1988).
5. www.faith-and-the-economy.org/Thm4Art-Lasn.htm (a reprint of an article from *The Ecologist* Magazine, May-June 1999).
6. "Social Security Chief Hits 'Myth of Entitlement,'" *Chicago Tribune*, November 30, 1979, Sec. 1, p. 8. (Italics added.)
7. Saundra Torry, "Kessler, Koop Decline to Testify to Congress," *Washington Post*, March 5, 1998, p. A-6. (Italics added.)
8. Charley Reese, "It's A Shame that Americans Can't Trust Their Own Government." *Orlando Sentinel*, July 30, 1998, p. A-12. For a more detailed treatment, see *Passive Smoke: The EPA's Betrayal of Science and Policy* by Gio B. Gori and John C. Luik (Vancouver, B.C.: The Fraser Institute, 1999), especially Chapters 4, 5, and 6. The complete text of the judge's decision is reproduced in the Appendix.
9. Gregg Easterbrook, *A Moment on the Earth: The Coming Age of Environmental Optimism* (New York: Penguin Books, 1995), p. 246.

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IDEAS ON LIBERTY
FEBRUARY 2002

Why America Gets Fleeced

by Melvin D. Barger

One of the occasional features on NBC Nightly News with Tom Brokaw is "The Fleecing of America," a series of segments exposing cases of waste and fraud that victimize individuals or the general public.

Some of the examples are swindles or scams by private companies or individuals, and the obvious solution is to exercise more care in our investments and spending. At the same time, persons guilty of fraud and other criminal actions should be prosecuted.

The most glaring examples, however, seem to be government-funded projects that went wrong: $34 million for a global airpark in North Carolina; $85 million for a useless dam in Tennessee; sports stadiums around the country built with tax-exempt bonds; $2.4 billion that can't be accounted for in the Bureau of Indian Affairs; and hundreds of millions lost in an international space venture. Few of these examples are actual cases of outright fraud, and yet they represent a huge waste of money.

Such shocking reports as Brokaw's are in the journalistic tradition, of course, and are obvious efforts to compete with similar stories in newspapers and magazines. But there's a major problem with these accounts of scandalous waste. The reports don't usually explain why such things happen or what we can do to prevent them. There are even times when we'd probably rather not know about such losses if there's nothing we can do to stop them.

So why does America get fleeced and what is the solution to this problem?

One thing to keep in mind is that the fleecing occurs *before* the ill-advised projects are undertaken. We are fleeced because we have already been set up as sheep to be sheared. We are already committed to a system that takes a large percentage of the taxpayers' income for government use: federal, state, and local. At the federal level any shortfall in tax revenues can be covered by running deficits or through the inflationary practice of creating more money. This system has been in place for so long that a large number of people take for granted that significant portions of their incomes should be preempted this way. The system is so secure that even modest efforts to cut taxes are difficult to move through Congress.

Even if the system is designed to extract money from the taxpayers, however, why aren't the funds used more efficiently? Why do we have many millions in useless projects that we would never consider as promising investments for our own savings? Aren't we entitled to have our public funds used properly in ways that will maximize real benefit?

A major problem is that powerful people in Congress and private industry use their influence to get government funding for pro-

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jects that are beneficial for them. In reporting to their constituents, members of Congress like to boast of the money they've been able to bring to their districts. There is real competition to *fund* projects but no corresponding effort to assure that the funds are properly used. Private companies, with support of their unions and people in plant communities, will often use influence to advance government spending programs that benefit them.

Another problem is that federal funds are often looked at as money that will most likely be wasted by others unless one's own area acts first. "If we don't spend it, someone else will," is a typical comment, usually made with a shrug. It follows that such funds don't have to be used with a high degree of efficiency, as they would have been used even less efficiently by others.

And although most of us know federal funds come out of our own pockets, there's still a belief that the government creates money out of thin air. There is no source of money in thin air, but creating money through the central bank makes it look that way. So why should anybody worry about money that's free rather than the result of our own hard work?

Opportunity Costs Overlooked

We should also remind ourselves that we are being fleeced even when the projects are less scandalous than the ones featured by Mr. Brokaw. Projects are funded in specific communities and regions because the politicians and local people who campaign for them are more successful than others in selling their ideas. A powerful U.S. senator from one state can usually make a strong case not only for the federal funds his state receives but also for previous spending programs. What's never explained is how the same money might have been better employed by the taxpayers who had to supply it. A project will be shown to create jobs, for example, but nobody points out that jobs are also created when individuals spend their own money.

Is there a solution to The Fleecing of America? There is one, but it's not likely to get much support from Mr. Brokaw. The solution, at least for the federal part of it, is to limit government to its peacekeeping functions and get it out of projects that don't support that purpose. Under this type of limited government, many of the ill-advised projects that upset Mr. Brokaw and his viewers would not have been funded in the first place. If there is a real need for them and they have a sound basis, private investors can always be found to do the job. Communities or private investors should use their own money to build facilities that are likely to enhance business and development in their own areas.

But don't wait for Mr. Brokaw and other national media people to voice this view. Most of them believe the federal government should support such projects, even if many of them go wrong. The media folks obviously feel they are performing a vital public service simply by exposing waste and fraud in the country. Perhaps they believe that segments such as "The Fleecing of America" will bring better control over future spending programs. That's unlikely. So in addition to being fleeced, we're having the wool pulled over our eyes! □

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Economics

Prisoners' Dilemmas and Cooperation

Economics is largely about how people cooperate so each can best pursue his or her objectives, whatever they may be. Decentralized market-based economies are wealthier than those based on central direction because markets facilitate the communication of the information and motivation necessary for people to cooperate, while central direction always censors that communication. Even market-based economies sometimes lack markets for important resources and the result is waste and inefficiency due to the absence of cooperation. For example, the pollution problems I discussed in previous columns are caused by the lack of markets in the use of the environment for disposing waste. Without those markets people don't consider the concerns of others when deciding how much to pollute. Creating artificial markets is the best way of facilitating the cooperation needed to reduce pollution to acceptable levels as cheaply as possible.

But no matter how well markets work, and how extensively they are operating, we remain in a world of scarcity, with people wanting more than they have and often seeing ways to acquire more by behaving in noncooperative ways—ways that create more losses for others than gains for themselves. There is almost always a tension between cooperative and noncooperative behavior, and this column examines that tension in the context of a simple model widely known as the prisoners' dilemma. By looking at this dilemma we can understand the interaction between politics and economics and the tendency for government action to encroach on market action even though the result is destructive of wealth and, more important, liberty.

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To Confess or Not to Confess

The problem I am about to illustrate is very general, but it takes its name from an example involving two prisoners known to have committed a serious crime but who can be convicted only of a relatively minor crime without a confession from at least one of them. The prisoners are separated and each told the same thing: "If you confess to the serious crime, you will receive a sentence of ten years if your accomplice also confesses, but only two years if he doesn't. But if you refuse to confess to the serious crime you will receive a sentence of 15 years if your accomplice does confess and three years (for the minor crime) if he also refuses."

The possibilities the prisoners face are shown in the nearby payoff matrix, where the first number in each cell is the sentence Prisoner A receives and the second number the sentence Prisoner B receives. As easily seen, the collective interest of both prisoners is best served when neither confesses, in which case they will serve a total of only 6 years. The worst thing for their collective

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interest is for both to confess, since this results in their serving a total of 20 years. Yet no matter what each thinks his accomplice will do, the best thing for him to do is confess. For example, if A thinks B is not going to confess, then if he doesn't confess he gets 3 years, but only 2 years if he does confess. Or if A thinks B is going to confess, then if he doesn't confess he gets 15 years, but only 10 years if he does confess. And the same situation faces B. So from the perspective of each, the best thing to do is confess even though this leads to the worst outcome from the perspective of both. The action that is individually rational is collectively irrational.

		B	
		Don't confess	**Confess**
A	**Don't Confess**	3 years/3 years	15 years/2 years
	Confess	2 years/15 years	10 years/10 years

The prisoners' dilemma is an example of the tension between cooperation and noncooperation that is unavoidable. For example, pollution problems are prisoners' dilemmas. We would all be better off if everyone cooperated by polluting less. But for each of us it makes more sense not to do so. Regardless of what others do, it doesn't pay me to reduce my pollution, since the benefit will go primarily to countless others, while I incur all the cost and inconvenience. The reader is encouraged to construct a payoff matrix like the one above showing the payoffs to two individuals from the four different pollution-reduction possibilities (with a higher number representing a higher payoff rather than a longer sentence).* The point of pollution policy is to change the payoffs to eliminate the prisoners' dilemma by making it pay for each individual to reduce pollution no matter what others do. Creating markets in pollution permits does exactly this, which is not surprising since markets excel at promoting cooperation by eliminating prisoners' dilemmas.

*With just two people, both may make the cooperative choice because of mutual concern. But this is not a realistic possibility for large numbers of people, such as a typical pollution situation.

Consider how eliminating markets destroys cooperation by putting everyone in a huge prisoners' dilemma. Marxist ideology claimed to substitute the rule "From each according to his ability, to each according to his need" for the "exploitation" of the market. Forgetting that without markets we cannot determine what people's abilities and needs are, such a rule can be implemented only with brutal force, because without force the rule creates a prisoners' dilemma: having lots of needs and no ability is the only sensible choice for each person. Whether each person thinks that others will produce to the best of their ability or live off the efforts of others, the rational action is the latter. But obviously this leads to a situation that is collectively irrational, with few abilities being used and few needs being satisfied.

But surely not everyone will shirk since many, probably most, of us want to do our part by being a productive member of society. True, at least initially. But even if only a few people exploit the prisoners' dilemma initially, soon others will see that they are being treated as suckers by the shirkers. As the number of shirkers increases, it becomes increasingly obvious that cooperation is for suckers, and the productive process unravels. Without markets to eliminate this prisoners' dilemma by rewarding cooperation, only government force can prevent a breakdown in productivity. But while government can force people to work, it cannot provide either the information or motivation people need to work in their most productive activities and to do so with the creative zeal and cooperative attitude that is characteristic of market activity.

A destructive prisoners' dilemma is eliminated by the information and motivation provided by markets. But the prisoners' dilemma comes in many forms and, as a practical matter, markets do not eliminate them all. Because of this, the prisoners' dilemma is commonly used to justify government and the coercive power it exercises. I will discuss this justification next month. □

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IDEAS ON LIBERTY
FEBRUARY 2002

Energy Economics with Eyes Open

by Ashton J. Pecquet and Gary M. Pecquet

Energy is a scarce resource. No one was ever able to have all the energy he wanted. It is neither free nor a gift of nature. Someone must spend labor, wealth, and time to find, produce, and use it. In short, energy is an economic problem.

Of course, energy is a vital economic resource. It is needed for power, transportation, industry, and almost every other human endeavor. It is the lifeblood not only of a modern society, but of any society. This importance, however, does not remove energy from the scope of economics; it only makes economic analysis all the more essential.

The many dimensions of the energy problem can be illustrated by asking a few questions. How much energy do we want and what are we willing to give up for it? Do we want to work longer hours or divert capital from other uses to get more energy? From which sources should our energy come? We can obtain it from coal, oil, natural gas, nuclear reactors, electric batteries, windmills, horses and mules, or from any combination of these sources. But which combination and in what proportions? Where do we want to use our energy? We can use it in industry, transportation, or heating, or we can have some of each. But how much? And which specific industries, modes of transportation, and methods of heating should we use?

These questions present us with a problem, because there are an infinite number of answers to each question. The best answer can only be found when we are able to compare the costs and benefits of each alternative available to us. And since we are dealing with heterogeneous resources, costs and benefits can only be compared with the aid of a common denominator—a price. With this in mind, let us examine alternate social systems to find the one best equipped to economize our energy.

First, there is complete socialism. Its defining characteristic is the public ownership of all the means and resources of production. In light of the collapse of the Soviet Union and its satellites, the suggestion of a pure socialist economy seems foolish. But why *must* socialism fail? Did the Soviet planners merely suffer from poor judgment or is there a systemic flaw in a publicly owned economy? About 80 years ago, Ludwig von Mises, in his great work *Socialism*, explained why totalitarian central planning cannot economize resources. By examining a system that fails, perhaps we can find the necessary ingredient for a successful economic system.

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Under a system of only one voice, no buying or selling among resource owners is possible. Buying and selling presuppose more than one voice, more than one man or group, seeking gain. Without the buying and selling of resources there can be no resource prices under socialism, except for meaningless arbitrary ones used for bookkeeping. Because there can be no resource prices, the relative values of heterogeneous raw materials, assortments of capital goods, and different types of labor cannot be found. Costs and benefits cannot be compared between resources. The socialist directors would not know if they are profiting or losing. They would not know by performing an action if they were serving consumers better or worse. Hence, socialism does not provide a method for economizing our energy.

To illustrate the dilemma of a socialist, I shall recall the childhood game "pin the tail on the donkey." Each participant was blindfolded and told to pin a donkey tail on a donkey's picture. The one coming closest to the place where the tail should go—the optimal spot—won the contest.

Without prices a socialist is blindfolded also. If you were a socialist director, how would you direct the economy? You have every economic resource at your disposal, but you cannot know which ones are more expensive and by how much. You are blindfolded to price—to the cost of attaining your objectives.

Copying the Market

You can use as a gauge the prices of other nations that have markets. But that is cheating—do not look under the blindfold. If a domestic market is evil, why copy a foreign one? Besides, prices are never exactly the same in different nations or localities.

You can also compute your relative cost from the past prices of your own nation. But this is not only cheating, it is also foolish. A changing world must have changing prices. How far could technology advance if the 1890 horse-and-buggy price were still used as a guide? The 1910 automobile price? The 1974 oil price?

Finally, you can use labor hours (or some other input variable) as costs. This is not cheating, but you will still have the same difficulty. The labor-hour method neglects the kind of labor (highly technical, skilled, or unskilled), the costs of raw materials, and the length of time required to complete each alternative project. Moreover, no measure of historical costs, however complete, can account for the value of consumer goods because potential demanders value commodities according to their individual preferences and circumstances. You will still be blindfolded. You will still be unable to find the optimal uses and sources of energy.

The second social system up for discussion is capitalism. Under this system, everyone is an economic actor. You will not be presented with the responsibility of directing the nation's entire productive output, but because there is buying and selling of every economic resource, prices enable you to compare costs and benefits. (You may now take off the blindfold.)

Since each economic participant acts only when he expects benefits to exceed costs, you buy energy only when you expect to receive more satisfaction from it than from alternative uses for the money. If you and other economic actors want more energy than is currently offered in the market, you will have to give up other goods to obtain it. Prices for energy will rise and the prices of the goods consumers decide to give up will fall. If the supply of energy decreases, energy prices will also tend to rise and the prices of other goods will fall. In either case, higher prices will encourage energy companies to produce more, consumers to use less, and industry to search for new energy-saving techniques. This additional energy produced and saved will cause energy prices to fall relative to other goods that have not increased in supply.

Conversely, a more plentiful supply of oil tends to make oil prices fall. The need to economize oil slackens compared to other vital raw materials.

This is how the market solves the energy problem of today. But tomorrow's energy solution may require new answers. It may

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require the increase of present oil, coal, and natural gas supplies. It may be that new energy sources, such as nuclear and solar power, can replace or supplement our present ones. But whatever tomorrow's answer will be, it will never a permanent one. The verdict must change day to day.

Energy-producing businessmen are not omniscient; they must speculate about future needs and conditions based upon their practical experience and sound judgment. For example, entrepreneurs must anticipate the demand for their products and secure reliable sources of raw materials in the face of constant disruptions in supply. The most adventurous entrepreneurs sink huge investments into potentially new energy saving/producing technologies long before their profitability becomes apparent. When they are correct, they prosper. When they err, they lose. But when a businessman suffers from poor judgment, he soon discovers his mistake on the corporate balance statements. A socialist director does not. A blindfolded director has no prices to compare benefits and cost. A "greedy" capitalist does.

The Mixed Economy

But America today is a mixed economy. It is neither a pure socialist nor a laissez-faire market system. American would-be regulators believed that market prices were all right for relatively unimportant and plentiful goods; but when an essential good (energy) is acutely short, nothing less than price controls, rationing, and an energy department would do. Price controls were enforced during the Great American Energy Shortage 1973–1981. Two different times in the '70s, American motorists resembled Soviet shoppers queuing up for many hours in search of a few gallons of gasoline. It was no coincidence that gasoline lines disappeared after President Reagan accelerated the decontrol of prices in 1981.

But why did American politicians and economic planners impose price controls if they only produced hardship? Part of the answer is the medieval notion of "fair prices." "Fair prices" were once thought to depend on the cost of production only. Goods were supposed to sell at cost regardless of the quantity of goods demanded by consumers. Consequently, "fair prices" tend to be below market prices. They discourage production and encourage consumption—prolonging the very crisis that the price controls were established to alleviate. Price controls are the economic equivalent of blood-letting in medicine.

American economic managers were in a better position than Soviet central planners. They had prices at their disposal. The trouble with the energy planners was not that they could not compare costs and benefits, but that they did not allow the economic actors to do so. Since their function was to set prices different from those established by cost-and-benefit-comparing economic actors, they deliberately set prices unrealistically. They intentionally missed the donkey. For want of blindfolds American planners deliberately closed their eyes.

The long gasoline lines of the '70s have disappeared, and no one proposes that the United States adopt price controls today. Nonetheless, the Department of Energy and its billions of expenditures survived, and there are those who lament that "we do not have an energy policy." But the free market itself is an energy policy.

What present-day economic planners mean by "an energy policy" is an active federal government that plots the energy course for the entire nation. Ecology-minded planners, for example, favor government-mandated fuel economy standards for American automobiles to discourage consumption. The production of oil and coal would also be severely restricted to save resources for the future. Once again, we are faced with opponents of the price system.

The value of our resources depends on many factors influencing producers and consumers. The advancement of human knowledge itself determines what we regard as economic resources. Shortly before the American Civil War, the major source for lighting was whale oil. Were whales finite? Certainly. Was there a maximum number of them that could be harvested each year? Of

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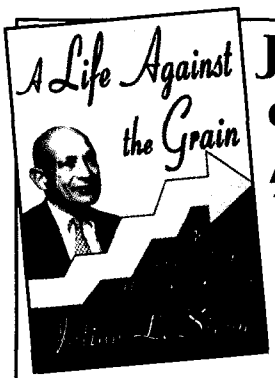
course. Did the shortage of whales doom the human race to perpetual darkness? Never.

The answer is that entrepreneurs discovered and marketed substitutes when whale oil became too expensive by the 1840s. Soon, kerosene lamps fueled by crude-oil derivatives became economically viable. Crude oil, once considered a nasty nuisance by Texas farmers digging water wells, became a valuable economic resource. Human knowledge transformed the energy potential of mankind and incidentally saved the whales.

Imagine what course industrial history would have taken if the government of the 1840s had imposed price controls on whale oil. Or if the government had placed heavy taxes on the profits of energy entrepreneurs. Or if the government had required fuel-conservation standards that limited the size of railroad engines. Or if the government had invested heavily in alternative energy sources that were not cost effective. Those practices, at best, would have wasted resources and acted as a nuisance to businessmen, and, at worst, may have imposed serious barriers to economic progress.

The proper role for government is to recognize private property rights to all the vital resources in the economy and to protect these rights by providing a proper judicial forum whereby individual owners can sue transgressors and polluters for damages. The marketplace itself, however, must determine the proper paths for energy development because entrepreneurs properly compare the relative benefits and costs of each possibility. Government policy managers ignore market prices and tend to lock the economy into a path of their own, choosing blindness to economic reality.

The market never locks the entire economy into the straitjacket of a Central Plan. As the needs and capabilities of people change, prices change. Unlike either socialism or interventionism, the market fosters change by allowing businessmen to disagree with the status quo and embark on plans of their own. Only with this freedom can new and better paths be discovered. Precisely because the market does not send everyone down the same road today, we can solve the energy problems of tomorrow. □



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IDEAS ON LIBERTY
FEBRUARY 2002

In Defense of Scalping

by William H. Peterson

I submit that it's not disingenuous for the Broadway producers of *The Producers* to say they're trying to "strike a blow at the heart of the scalping operation" by setting aside at least 50 seats for each performance and charging a cool $480 a ticket.

That price is almost five times the $100 charged for its best seats, itself a Broadway record—yet one still too low, I further submit, as evidenced by the long lines at the box office. So this move is simply smart entrepreneurship, a service to the theater public, who may be relieved of coping with the box office or dealing with scalpers, a kind of reduction in transaction costs, in the jargon of Nobel economist Ronald Coase.

Good then that Rocco Landesman, a producer of the show, is up front, saying the scalpers' money will now go to "the people who created the show." Good too that the move wins a nod from New York State Attorney General Eliot L. Spitzer, who favors repeal of New York's anti-scalping laws to "let the market function." Yet, pray, apart from possible scalper payoffs, or "ice," to some theater operators, box-office employees, and theater agents to breach, sub rosa, their contracts, what's wrong with scalping?

Nothing really. It's simply an aspect of our market, or voluntary-exchange system. A hit's a hit, and *The Producers* is a super hit. Supply and demand are at work, with here a daily fixed supply of tickets at set prices. It's that fixed supply and those set prices that change things. Prices ration goods and services, as almost everybody knows. When demand is off, producers can cut prices, as attested by that same-day discount ticket pavilion in the middle of Times Square. But when demand is red-hot, as with *The Producers*, in come, at least until recently, the scalpers to collect what the market—that is, the buyers—will bear. They perform a service by saving time for those anxious to see the show without standing in long lines to do so. For isn't the scalper but a middleman performing a valued service, despite his putdown name and often illegal but not necessarily evil status? Scalpers convert time cost into money cost for those who buy tickets from them. Outlawing scalping favors those with time to spare over those with money to spare. Why should the government take sides?

Peaceful Action

Don't scalpers deserve their day in the court of public opinion? Aren't they, like the rest of us, simply responding to supply and demand in one way or another. Don't their activities come under FEE founder Leonard Read's rubric, "anything that's peaceful"? For isn't this, broadly, how the New York Stock Exchange itself works—without set

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stock prices? Or the Chicago commodity futures market without set commodity prices? Or art and antique auctions mostly without set or "minimum" prices but with their free-bid prices? Or even your local gas station, albeit with "set" pump prices but ones subject to frequent ups or downs? Or soft realty markets, where asking prices drift down as demand eases?

Meanwhile, how nice to see ticket sales to New York theater and sporting events move onto the Internet or into Connecticut or New Jersey where scalping is legal. Let competition work its wonders. To be sure, critics cry "shame" on those who baldly cater to the well-to-do or who don't make the theater more available to those of lesser means. Well, for the latter there are other alternatives, such as movie houses and even "free" TV.

Besides, what's wrong with being or striving to be well-to-do? Isn't that an economic incentive, a part of human nature, a way of the free market too? □

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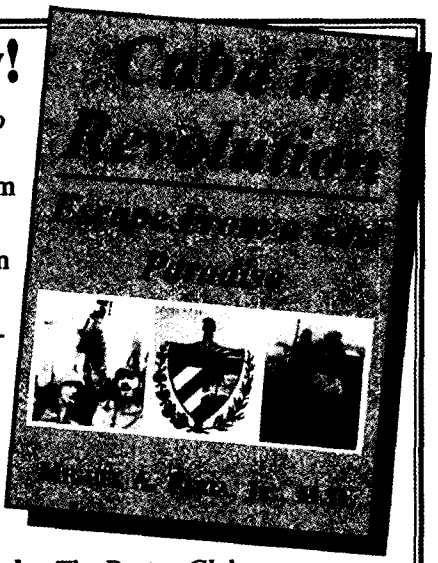

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Scapegoating Gun Owners in South Africa

by Jim Peron

A small neighborhood grocery store had just opened for business. Without warning five armed men entered and started shooting randomly. Agostino De Andrade was hit by a bullet, but he managed to draw his gun and fire back. Store manager Nelson De Freitas drew his .45 pistol. He said: "Three men were shooting my boss. They saw me and began to fire at me, so I emptied my pistol at them." Witnesses say that one shopper and another store employee also pulled guns and fired at the murderous gang. Finding themselves suddenly, and unexpectedly, outgunned the criminals fled for their getaway vehicle. De Freitas and some customers chased them. Another customer just pulling up to the shop was also armed and joined the battle. De Andrade's wife, Maria, told the press: "When I heard the commotion I ran out with my gun. But before I could do anything a customer took it and began shooting at the car." De Freitas reloaded his weapon and continued firing. A gas-station owner from across the road pulled out his gun and fired at the gang as well.

In five minutes the shootout was over. But three members of the gang were dead. Police said that one of them had at least 17 bullets in him. Two of the surviving gang members fled the scene but one, who was wounded, was easily captured by citizens who had pursued him.

Not far away, and only a few weeks later, two thugs met a similar fate. It was early evening and George Myburg (not his real name) was standing on his front lawn. A couple of friends had just pulled up to visit him. But as they were getting out of the car, two armed men approached them. One gunman was screaming in a crazed manner to the other: "Shoot him. Kill him." Another visitor at the house was standing just a few yards away when this happened. He pulled his pistol, aimed, and fired. He killed one and critically wounded the other. In three minutes it was over.

Last June Heinrich Nel, a slight and shy 15-year-old stayed home ill while his family went to church. The last thing his father had told him before leaving was to remember that a revolver was in the cupboard next to the bed in his parent's room. Heinrich was sleeping on his parents' bed when he heard the family dachshund barking wildly. Looking out the window, the boy saw four men wearing balaclavas. Two were carrying guns, one of which was an AK-47. The boy called his grandmother next door to warn her. But before he could do anything else the men grabbed him violently twisting his arms behind his back. The boy fought back, pushed his attacker away, grabbed the pistol, and began firing.

Taken by surprise the four men fled the bedroom with the boy following firing

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repeatedly at them. Heinrich had been trained in the use of guns starting when he was seven. The boy fled to his grandmother's, and the attackers made off for parts unknown. Heinrich's father, a former policeman, said: "He's my hero. I am so proud of him. This was our worst nightmare but we never thought it would really happen."

Crime Explosion

These incidents are not particularly unusual—at least not for South Africa, where all three took place. An explosion of violent crime, since the African National Congress (ANC) took power, has resulted in hundreds of South Africans walking the streets armed.

For the reporting year 1975–76 there were 6,000 murders in South Africa. By 1985 the total had risen to 8,959. By 1995 it had almost tripled to 25,782. Since then the number of murders has hovered around 25,000 per year. Twenty-five years ago the number of rapes stood around 15,000 per year. Now it averages around 50,000. During the same period robberies went from about 38,000 to 150,000. In the Johannesburg area about one in four of every homes is burglarized over a one-year period. In 1998 alone there were almost 800 attacks on farms and 134 farmers were murdered.[1] For over a year the government put a moratorium on crime statistics, arguing that the methods used to collect them lead to errors. When the moratorium was lifted the new statistics showed that while a few categories of crime declined, the total number of serious crimes had in fact increased.

Many South Africans see gun ownership as their only option. The centralized national police force has become a toothless tiger. Mismanagement and corruption have taken their toll. Officers are being hired to meet racial quotas, but many of them cannot read, write, or even drive a patrol vehicle. Many simply do not turn up for work at all. In Johannesburg there are 94 police officers absent on any average day. The metropolitan area, with over 2.5 million people, only has 3,410 police officers to cover all shifts. The *Mail & Guardian* reported that during a 17-month period 340 officers were charged with helping prisoners escape; 195 with armed robbery; over 7,000 with assault; 306 with corruption; 291 with fraud; 332 with murder; 16 with operating a brothel; 149 with rape; 171 with robbery; 1,550 with theft; and 130 with stealing cars. These charges alone amount to over 10 percent of the active police force.[2]

Another reason for the explosion of crime is that crime does pay, at least in South Africa. In 1997 there were 13,011 car hijackings. But there were only 1,099 prosecutions and only 209 convictions. Less than 2 percent of car hijackings lead to conviction. Some 85 percent of murderers are never convicted, and the same is true for 93 percent of all rapists.[3]

So how does the South African government intend to battle crime? By cracking down on the private ownership of firearms. New legislation has made it significantly more difficult for individuals to legally own firearms. Of course, the legislation has no effect on the illegal ownership of any weapons by criminals, including the state's "lost" fully automatic weapons.

One argument for the crackdown is that criminals steal guns from private citizens. But the National Firearms Forum (NFF) contends that less than 1 percent of privately held guns are stolen in any one year. It says that government documents indicate that 200,000 government-owned weapons have gone missing. A spokesman for the Department of Safety and Security admitted that from 1990 to 1999, 14,636 firearms issued to police officers were stolen or lost. The NFF notes that "the government's own security services have been a far greater source of stolen firearms than the private sector." The NFF also argues that only one out of 200 armed offenses is committed with a licensed gun, clearly indicating that the legal ownership of firearms is not the source of weapons for criminals. A study commissioned by Gun-Free South Africa, specifically to show negligence of firearms owners, failed to produce any evidence of negligence.[4]

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According to "South Africa Survey 1999–2000," a total of 29,550 weapons were stolen with 2,420 of them recovered. That's one gun stolen per 1,373 people. The government admits that 1,802 weapons were stolen from police officers, a rate 22 times higher than among civilians, or one gun per 60 officers.

Armed criminal attacks have become a daily occurrence. If privately owned weapons are not being used, where did all the guns come from? One possible source, which the ANC government is quick to ignore, is its own party structure. For years the ANC, in a joint effort with the South African Communist Party (SACP), engaged in an "armed struggle" to overthrow the apartheid government. During that period the armed wing of the ANC and SACP, Umkhonto we Sizwe, smuggled in tens of thousands of firearms—weapons that for obvious reasons were never licensed. A favorite weapon in the ANC underground was the Soviet built AK-47, which has been regularly used for bank robberies and cash-in-transit heists. Former Unkhonto guerrilla Colin Chauke turned out to be one of the kingpins in the heist gangs. He was also the ANC councilor for Winterveldt, Pretoria. When arrested he had 1.4 million Rand in cash. After his arrest he "walked" out of prison but was later seen at a birthday party for a member of the Cabinet.

Yet the government has implied that the rise in crime levels is somehow attributed to legal gun ownership. Contrary to government belief, massive increases in crime levels did not follow massive increases in gun ownership. No evidence has been presented showing gun ownership behind the crime wave. But there is plenty of other evidence that shows other causes: such as police corruption and inefficiency, and low conviction rates. Alex Holmes, NNF chairman, has pointed out: "By world standards South Africa has a relatively low ratio of firearm ownership. Lower than every major European country and far lower than countries such as Canada, Australia and New Zealand. Canada, for instance has five times as many firearms per capita as South Africa."

Holmes points out that neighboring Swaziland has an almost complete ban on gun ownership yet the murder rate there is 20 percent higher than in South Africa. The fact is that legally owned firearms are almost never used in the commission of crime. Yet the new legislation only targets legal owners of guns. M.E. George, chairman of the Parliamentary Portfolio Committee, which held hearings on the Firearms Control Bill, admitted that there was no point in making laws for criminals. This despite denials by Minister of Safety and Security Steve Tschwete that the new law did not target licensed firearm owners.

Firearms Control Act

Under the Firearms Control Act legal gun owners are allowed to own only one handgun for self-defense. Firearms above that limit, unless dedicated for sporting purposes, have to be disposed of within 60 days or handed over to the state for destruction without compensation. Under the new law all current firearm licenses will remain valid for only five more years. After that anyone wishing to continue owning a firearm will be required to obtain a "competency certificate," valid for five years only, from an accredited training organization. Competency will include firearms handling as well as knowledge of the law. A need for self-defense or sport must be shown. Self-defense licenses are valid for two years only, and sportsmen, hunters, and collectors must belong to an accredited club or organization. All accredited organizations will be required to forward details of members and their activities to the Central Firearms Registry.

Although the new Act provides for licensing for self-defense, implementation of the clause is left up to police officials. Already it is becoming clear that government is using its discretionary powers under the law to deny license applications. According to the opposition Democratic Party (DP), about one-third of all applications are turned down, many for illegal reasons. According to the DP, applicants were rejected on the basis of gender, age, marital status, and economic

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circumstance. One applicant's refusal said: "The applicant mentioned that she is married and would therefore have a husband for protection who could be a firearm owner. Applicant mentioned that she is afraid of high crime rate, but it doesn't seem that she have [sic] experienced problems in the past, or was a victim of any crime." Another refusal said: "Applicant is illiterate . . . has no telephone number." And another: "Being single the applicant has no dependents to protect and no property for that matter. The life of this applicant is not at risk at any time and his motivation does not convince the decision officer."[5]

Even the government admitted that the new act was badly written and has ordered several rewrites. One criticism was that a gun owner would need a permit for his gun, but if he took the gun apart for cleaning he would need a permit for each separate piece and would not be permitted to make even minor repairs or improvements.

DP Member of Parliament Douglas Gibson has pointed out that guns currently legally owned will have to be disposed of or handed over to the state. Some estimates put the number of these "excess" firearms at 500,000 for the first year. Realistically the number is probably larger. There are approximately 1.9 million licensed gun owners in South Africa who currently hold licenses for 3.5 million firearms. Limiting ownership to one gun per license holder would mean that that there are probably 1.6 million excess firearms.

Many legal gun owners, who are almost never involved in criminal activities, will get rid of their "excess" guns any way they can before the ban comes into effect, especially since confiscation by the state is without compensation. Gibson asks: "Will this not increase the pool of illegal firearms and flood the market with cheap weapons, making them more accessible and the victims of crime more vulnerable?"

The new law also states that any person would be "presumed guilty" of illegally possessing a firearm if he is in a vehicle with other people in which a firearm is found. A driver of a car is also in violation of the law if any passenger in his car is carrying an unlicensed firearm. A similar fate awaits any property owner if even a single cartridge is found anywhere on his property. And even licensed firearms owners will face ten years in prison and loss without compensation of all their firearms for simply leaving their licenses at home.

Toward the end of July, the South African police orchestrated a series of raids on the homes of licensed firearms owners. Captain Ntabiseng Mazibuko said the raids were conducted to see if gun owners were adhering to the new "rules and regulations." The police claim that "Every gun owner has a responsibility to keep his or her gun in a safe, secure place." Captain Mazibuko says: "Police can actually confiscate your gun if they feel that it is kept in an unsafe place."[6]

In keeping with government policy, the new legislation also confers unspecified powers on the government. This bill says: "The Minister may by notice in the Gazette, from time to time, make regulations for all or any of the following purposes: —to provide for any other matter that the Minister may consider expedient to promote the purposes of this Act." In other words the new firearms act gives the South African government the power to do anything it wishes provided it helps promote gun control and confiscation. And unlike legislation, the new regulations will not have to be debated or open to public input.

Finally, the Firearms Control Bill creates "gun free" zones where weapon ownership would be illegal. Churches, schools, hospitals, bars, and shebeens (illegal bars) were proposed right away for this category. But now government officials are talking about adding entire neighborhoods to the list—particularly black townships with high crime rates.

The new legislation was drafted by a private nongovernmental organization, the Institute for Security Studies (ISS). The ISS drafted the legislation with funds supplied by the British government. According to Minister Tshwete additional funds for the drafting were supplied by the U.N. Office for Drug Control and Crime Prevention as well

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as the U.N. Development Program.

The South African Law Commission has also recommended a victim-compensation policy that targets gun owners. Because of the high rape levels in the country, the commission first suggested 2,000 Rand in compensation to anyone reporting that she has been raped. The government naively assumes that reported rapes will remain steady and thus the compensation will cost some 98 million Rand. Any first-year economics student would tell you that reported rapes will, in fact, increase massively especially since, according to the last census, well over 2 million South Africans have incomes below 6,000 Rand per year. And since that census, unemployment has been rising by about 100,000 per year.

The compensation plan is to be financed by taxing ammunition and guns at higher rates. Yet studies in the United States, according to Douglas Laycock, show "That there is no evidence that hunters or gun enthusiasts are disproportionately prone to rape. One study found no correlation between reported incidents of rape and the number of hunting licenses issued in a jurisdiction; another study found statistically significant negative correlations after controlling for population. A third study found no correlation between rape and the number of subscriptions to gun and hunting magazines. A fourth study found no correlation between gun ownership and attitudes toward feminism. Guns are used in only 9 percent of all rapes and attempts, and it is a reasonable guess that nearly all of these are handguns."[7] Under this compensation plan gun owners are being targeted to pay for crimes they are not likely to commit.

There is, in fact, reason to believe that making it more expensive to own guns, thus limiting gun ownership, will lead to higher rape rates as a consequence. One major rape study done by Brandeis University found that woman who forcibly resist rape are far less likely to be raped than women who use nonforceful responses. The authors of the study said: "Such nonforceful verbal, sex-stereotypical responses (e.g., begging, pleading, and reasoning) following violent physical attacks might thus coincide with how many rapists want a woman to act."[8]

John Lott's study of crime, *More Guns, Less Crime,* shows that as states legalize the carrying of concealed weapons, crime rates, including that of rape, decreased significantly.[9] In a study published in the *Journal of Legal Studies*, Lott and David Mustard looked at crime data from all 3,054 U.S. counties from 1977–92. When a county changed gun-control laws so that officials were required to issue gun licenses on request, thus making gun ownership much easier, all major crimes declined. Rape declined in these counties by 5.2 percent. The study showed that if less-restrictive gun laws had been passed in all the counties, there would have been 1,414 fewer murders, 4,177 fewer rapes, 11,898 fewer robberies and 60,363 fewer aggravated assaults.[10]

South Africa's assault on gun ownership is a boon to criminals. Gun owners are being penalized because the government has decided that legal and only legal gun ownership should be radically reduced. And all this is being done by the African National Congress, a party that came into power largely as the result of protracted armed struggle that it carried out against the previous government. □

1. All crime statistics come from various editions of "South Africa Survey," published yearly by the South African Institute of Race Relations. The "Survey" is the bible of statistics on all aspects of life in South Africa.

2. Jim Peron, *Die, the Beloved Country?* (Johannesburg: Amagi Books, 1999), pp. 95–112.

3. "South Africa Survey, 1997–1998," pp. 23–53.

4. Antony Altbeker, "Are South Africans Responsible Firearm Owners?" Policing Programme, Graduate School of Public and Development Management, University of Witwatersrand, commissioned by Gun-Free South Africa.

5. Hugo Hagen, "Broadside Fired at Gun License Abuse," *The Citizen*, August 1, 2001, p. 9.

6. Carol Hills, "Row as Police Raid Gun Owners," *The Citizen*, August 2, 2001, p. 1.

7. Quoted in Mary Zeiss Strange's "Arms and the Woman: A Feminist Reappraisal," in David Kopel, ed., *Guns: Who Should Have Them?* (Amherst, N.Y.: Prometheus Books, 1995), pp. 22–23.

8. Sarah E. Ullman and Raymond A. Knight, "Fighting Back: Women's Resistance to Rape," *Journal of Interpersonal Violence,* March 1992, p. 33, quoted by Strange.

9. John R. Lott, Jr., *More Guns, Less Crime* (Chicago: University of Chicago Press, 1998), p. 137.

10. John R. Lott, Jr., and David B. Mustard, "Crime, Deterrence and Right-to-Carry Concealed Handguns," *Journal of Legal Studies* 26 (1997), p.1.

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IDEAS ON LIBERTY
FEBRUARY 2002

Sound Bites and Unsound Decisions

Place: an executive meeting room at Boeing's headquarters.

Background: a meeting is about to commence between Boeing's chairman and CEO, Phil Condit, and a team of Boeing engineers. The engineers asked for the meeting to explain to Mr. Condit a new method they've devised for manufacturing aircraft. By increasing the efficiency of the assembly process, these engineers are certain that they have found a way to save Boeing millions of dollars annually.

Event: Mr. Condit enters the room, quickly shakes hands, and announces, "Gentleman, my attention span is very short—30 seconds, max—so you'd better tell me whatever you have to say in just a few short sound bites. And if I tune out before your 30 seconds are up, well, too bad for you."

The engineers flash horrified looks at each other. "*Sound bites!*" their leader exclaims. "Mr. Condit, we've struggled for months to develop this new production process. We can't possibly explain it to you in 30 seconds. Although we worked hard to make our presentation crisp and to the point, and although you're an unusually intelligent man, you can't possibly grasp our idea by giving only 30 seconds of your time to it."

"Time's up, gentleman." Condit says. "Good day." He walks briskly out of the room. The engineers stare at each other, dumfounded.

A realistic scenario?

Hardly. A skilled comedy writer might be able to build the above little piece of fiction into a skit for *Saturday Night Live*, but it's going nowhere as an account of how business people actually make decisions. No business person needing information to keep his firm operating smoothly and competitively would demand that such information be presented to him only in sound bites.

And it's not only business people who demand all the information and understanding necessary to make decisions sensibly. Each of us generally spends considerable energies acquiring information, insight, and understanding about a wide range of things that matter to us. These efforts range from the mundane to the grand. We scour newspapers and Web sites to find bargain prices; we grill friends about their experiences with cars and school systems; we take classes at Home Depot on how to install tile flooring and how to fix faucets; we read dozens of self-help books, as well as books on how to improve our skills at management, gardening, cooking, and raising children.

We also invest huge sums of money and time—years—acquiring formal education.

Although some of us have less self-discipline than others, we all understand that our lives will be more satisfying—in material and nonmaterial ways—if we make sound decisions. And we understand also that we can make sound decisions only if our infor-

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mation and understanding are up to the task. Just as each CEO devotes considerable time and effort to learning the necessary details of his firm's operations and his industry's situation, so too does each of us devote considerable time and effort to acquiring the information and understanding we need to make sound decisions about how we live our private lives.

We don't conduct our private lives by sound bites.

Collective Choice by Sound Bite

But as citizens making collective choices we are sound-bite fanatics, seldom devoting any real time or effort to gaining a genuine understanding of public-policy issues. It's sad but true that the same person willing to spend hours learning how to make a perfect cheese soufflé is unwilling to pursue a genuine understanding of the nature of the market economy and of government. Never mind that unsound government policies are far more costly and more difficult to remedy than sunken soufflés. The fact is, the same person who spends hours learning new cooking skills is typically unwilling to learn more than the barest and most frivolous details about public-policy issues.

It's futile to lament people's unwillingness to devote serious attention to public policy. This unwillingness is inevitable, given that no voter has an individual say over policy issues. Pleading for someone to spend more time thinking long and hard about policy issues is to plead for him to devote less time thinking about matters on which he has a direct and personal impact (for example, getting that soufflé just right) and more time thinking about matters on which he has practically zero impact (for example, the details of Social Security reform). Such pleas will almost all be for naught.

The only hope for even the slightest improvement in the public's understanding of the market order and the nature of government is to have more Milton Friedmans, Walter Williamses, John Stossels, and Larry Elders, who are masters at communicating impressive amounts of understanding in short, accessible, and arresting ways.

Such talent, however, is rare. While it can and should be increased, the deeper lesson to draw from these reflections is that unlimited majority rule is an ill-advised means of governing society. With government now free of most constitutional fetters—with majoritarian outcomes treated as sacrosanct—the ultimate decision-makers in society are big blobs of voters, with no individual voter exercising real influence and responsibility. Influence and responsibility are so widely dispersed as to evaporate. With everyone having a say in a decision, no one has a say. With no one responsible, everyone is irresponsible.

This consequence of modern government is a real tragedy. When left in private hands, decisions are decentralized and made by people on the spot—by those possessing strong motives, and promising prospects, to gain knowledge and understanding. But such motives (and prospects) disappear when decision-making responsibility is removed to the state. Ultimate decision-makers in modern democratic countries—voters—have no motivation to learn what must be learned to decide wisely. Discussions of important policy matters become a soup of sound bites and superficiality. The resulting decisions are unsound, often foolish, and in too many cases ethically offensive.

Almost everyone would be aghast if Phil Condit and other corporate executives rendered decisions based only on what they learn from sound bites. Why, then, are so few people aghast that the ultimate decision-makers for the vast array of policies undertaken by government render their decisions based only on what they learn from sound bites? □

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BOOKS

Voodoo Science

by Robert Park

Oxford University Press • 2000 • 230 pages • $25.00

Reviewed by Patrick J. Michaels

I really *wanted* to like Robert Park's *Voodoo Science: The Road from Foolishness to Fraud* a lot more than I did. It's a pretty good book about how bad science manages to prosper and replicate, despite failure after failure, and for that much I recommend a purchase. But it simply does not go far enough and ultimately reveals a naïveté that I found shocking from a Washington insider like Park, who is the American Physical Society's chief lobbyist in D.C. ("He also directs the Washington office of the American Physical Society," the liner says. That's close enough for me.) I am heavily mired in the morass of global-warming science, where there's plenty of voodoo, and I was hoping that, as a physicist, Park would go there.

But he didn't. Instead, his first shots are easy and obvious ones against perpetual motion machines and high-output "cold fusion" à la Stanley Pons and Martin Fleischmann. He holds these as archetypes of "pathological science," which is when, according to Park, scientists fool themselves. It doesn't help, he notes, that the media aren't up to making critical distinctions and that sensational stories get more viewers than mundane ones.

Then there's "junk science," in which the motif of science is used to deceive; "psuedoscience," in which the rhetoric of science is used illogically and deceptively (as in Deepak Chopra's purposeful conflation of quantum theory and aging); and outright fraud. All of these Park collects under the notion of "voodoo science."

There are plenty of targets out there, and Park takes full advantage of that. Homeopathy. Alternative medicine. ESP, parapsychology. But why? Everyone with a worthwhile college education (an increasingly small fraction of the population) knows these are bunkum. Why not go after the big Kahuna: the phenomenal exaggeration of the magnitude and implications of global warming, consciously promoted by a large scientific community. Now *that* would be a good subject for a book about weird science!

Instead, Park seems to think everything is okay in a global-warming world, and that the science is just going to sort itself out. As an example, he doesn't well represent the out-and-out problem between global satellite data and global-warming models. Someone without special knowledge of this field would conclude, from reading Park, that an error was found in the satellite data that invalidated their assault on the gloom-and-doom paradigm, when in fact the error has been corrected and the annual average satellite data still show no statistically significant warming in its 23-year history.

This gigantic omission is because Park really didn't want to rock the global-warming boat. In Washington scientific relevance is defined by the amount of money doled out—be it to members of the American Physical Society or to the American Meteorological Society—and this induces profound distortions in the normal scientific process. I was desperately hoping that Park would discuss that point at length, but he didn't. Instead, he chose a long-winded (and somewhat inaccurate) assault on antiballistic missile defense and Edward Teller. This included the whopper that the 1986 Reykjavik Summit between Reagan and Gorbachev was a total failure.

What happened at Reykjavik is that both parties had agreed to some considerable reductions in nuclear forces. As the meeting broke up, Gorbachev added one condition: we would agree to stop working on an antinuclear defense. Reagan walked away. Gorbachev returned to Moscow and informed the Central Committee that they had to compete technologically with the Americans. The Soviet Union fell apart, and soon after they were forced to "tear down that wall." If

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Park thinks this is a "total failure," I can't imagine how he would define "success."

Basically, Park is saying that the secrecy surrounding ABM and related defenses is inimical to the normal process of science, and that those under the shroud have financial incentives to be less than candid in order to continue receiving taxpayer largesse.

So which distorts more—money or secrecy? *That* would have been a good question. Which causes more voodoo, oodles of politicized dollars or security clearances?

Face it, neither is very healthy. Instead of going to this core, which is the fountainhead of much scientific voodoo, especially the global-climate hysteria, Park took the easy shots. Too bad, because I think he knows a lot about the way science gets politically carved up in Washington that he, too, is keeping secret.

At any rate, Park's book is a good read for the easy targets. But for the more interesting objectives, like the creation of voodoo science by the Public Choice process, well, I'm working on it. □

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The Great American Tax Dodge

by Donald L. Barlett and James B. Steele

Little, Brown and Company • 2000 • 292 pages • $28.95 cloth; $22.95 paperback

Reviewed by E. Frank Stephenson

It is difficult not to be attracted to a book that predicts the demise of the U.S. income tax before its 100th birthday (2013). Yet *The Great American Tax Dodge* is immensely unattractive. That authors Donald Barlett and James Steele treat their prediction as a rallying cry for preserving the current tax monstrosity rather than a cause for optimism is enough to explain the awfulness awaiting the reader.

Of the several factors Barlett and Steele blame for eroding the income tax, two top their list. First are the offshore tax havens, now more readily accessible via the Internet, referred to as "treasure islands." Barlett and Steele give us a rambling travelogue of such places as the British Virgin Islands and Costa Rica, while completely overlooking the useful competition that such places provide to restrain our domestic tax system from being even more draconian. Moreover, Barlett and Steele fail to recognize that the costs people will incur to use such tax havens reflect the massive inefficiencies introduced by our tax code. (This is a mistake they repeat later when reporting that the estate tax affected "a mere 1.4 percent of the adults who died" in 1995; obviously they have never heard of estate planning.)

Barlett and Steele's other primary culprit in undermining the sacred income tax is—please read this sitting down—the Congress, which "slashed" the IRS's funding. According to our authors, the same rapacious Congress that could hardly bear to cut taxes by $1.25 trillion even when surpluses of $5.6 trillion were projected, systematically and stealthily seeks to end the income tax by leaving the IRS in a "weakened state." This outrageous assertion hardly merits discussion—wouldn't it stand to reason that if Congress really wanted to undermine the income tax that it would do so openly so it could reap the political benefits of repealing an unpopular tax?

If the logic supporting the claim that Congress seeks to erode its cash cow is underwhelming, the evidence is even weaker. No fewer than 13 different times do Barlett and Steele claim that Congress has "withheld funding," "made sure the IRS no longer has the resources to catch tax cheats," or "[w]ith each passing year [since 1991] . . . continued to slash the service's auditing capabilities." Not once, however, do they actually provide budget figures to support these statements. As the suspicious reader might guess, there is a reason for this statistical dodge: The IRS budget did not decline over the 1990s. The IRS was appropriated $7.088 billion (measured in 1997 dollars) in 1991, received $7.205 billion in 1997, and spent more than

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that in every intervening year. Instead of looking directly at resource availability, Barlett and Steele cite declining audit rates and IRS employment. Declining audit rates, however, are consistent with interpretations other than congressional miserliness. According to IRS Commissioner Charles Rossotti, the audit rate "substantially understate[s] the IRS's capability to find errors in returns" and, because of increasing computer scrutiny of returns, "there is no need to return to the levels of individual audit coverage that existed even five years ago."

The misrepresentation of the IRS budget is hardly the only sleight of hand foisted on the reader. For example, an assertion that "tax dodging has become a way of life for one-third to one-half of all Americans" is illustrated, in a chapter called "The Tax Cheat Next Door," by the Wildenstein family, which has homes on three continents and spends more per year ($60,000) on its dogs than most families earn. If tax cheating is so ubiquitous, couldn't Barlett and Steele have found a more representative (albeit less sensational) example?

Or try this one: Barlett and Steele report that of the estimated 6.5 million nonfilers in 1991 "[i]ncredibly, 74,000 had incomes of more than $100,000." Presumably, the reader is supposed to infer that there are a lot of high-income tax cheats. What Barlett and Steele do not say, however, is that people earning over $100,000 constitute a little more than 1 percent of nonfilers but about 4 percent of those who do file. Although inconvenient for the statism and class envy permeating the book, the authors unwittingly report that high income people are actually significantly less likely to be nonfilers than are people overall.

One more example: Barlett and Steele claim that four-fifths of the population only make enough to live on and are unable to buy stock. Since some 50 percent of households actually *own* stock, is the reader supposed to believe that the "stock fairy" has visited some 30 percent of the households?

Of course, Barlett and Steele do not confine their jujitsu to statistics. They proclaim "that in a democracy all citizens should be treated the same," but they argue for a tax code with "a dozen or more rates that rise as income goes up." Evidently the meaning of "same" depends on one's income. Not that this is surprising in a book that invokes the tired cliché of the robber baron and frets about "an unbridgeable chasm, between the have-mores and the have-lesses."

This book is long on fanciful anecdotes, short on solid evidence, and utterly void of any respect for individual liberty or property rights. As a result, reading Barlett and Steele is even more painful than filling out a tax form. □

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Reclaiming Education

by James Tooley

Cassell • 2000 • 250 pages • $74.95

Reviewed by Antony Flew

It is from the state that James Tooley wants education to be reclaimed. Although as a British author, his most immediate concern is to do this in the United Kingdom, many of his arguments, and much of the evidence he deploys in their support, constitute valuable, fresh ammunition for those fighting for the same cause elsewhere.

Thus Tooley notes that "Equity—or one of its popular synonyms, equality of opportunity or just plain equality—is the principal reason why government intervention in education is justified." The author appears to have been the first person to dispose of that crucial statist contention by referring readers to facts provided in the 1995 Report of the UK Central Statistical Office. The report revealed that "in Britain 40 percent of 21 year olds *admit* to difficulties with writing and spelling, nearly 30 percent to difficulties with numeracy, and 20 percent to difficulties with reading and writing" (emphasis in original). Tooley then goes on to cite comparable figures from the United States as well as—to my surprise—Germany, the Netherlands and Switzerland.

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So if this is all the equality that state monopoly systems provide, egalitarians would surely better serve their own ideals by seeking alternative and more efficient ways of providing educational services. Tooley finds them in the market. His investigations in the Third World have revealed that there are many private companies competing to supply *paying* customers with educational services in poorer countries.

Several such ventures are obviously satisfying their customers and achieving commercial success. They spend heavily to promote their brand names. "Any visitor to South Africa cannot fail to be struck by the ubiquity of advertisements for courses offered by Damelin and other Educor subsidiaries," Tooley writes of a company that offers a full range of academic courses from kindergarten to university level.

To the statist objection that private providers cannot meet the needs of parents too poor to pay for the education of their children, Tooley's first response is to remind readers that the late Professor Edwin West's studies have shown that even in 1861, before the beginnings of the state system, over 95 percent of all children were schooled for up to six years. The education of most of those children was paid for by their parents, while "even in the minority of schools in receipt of some state funding, two-thirds of funding came from non-state sources, including parents' contributions to fees, and church and philanthropic funds."

Tooley next provides evidence that state schools cost more and at best provide no better service than private. He then goes on to make the salutary and challenging suggestion that, in the U.K. and U.S.A., "if the norms of society promoted it, then the great majority of families could find educational opportunities, even without the further incentives that a lower tax regime (given no state schooling) would bring."

J.S. Mill issued this famous warning in *On Liberty*: "A general state education is a mere contrivance for moulding people to be exactly like one another: and as the mould in which it casts them is that which pleases the predominant power in the government, whether this be a monarch, a priesthood, an aristocracy, or the majority of the existing generation, in proportion as it is successful, it establishes a despotism over the mind, leading by natural tendency to one over the body." We now have urgent occasion to quote Mill's words with particular reference to the state-maintained school system in the U.K., for all the proposals on Education for Citizenship that Tooley discusses have, in the few months since the book appeared, been adopted by the Blair administration.

It is impossible to do justice to these measures briefly. Suffice it to say that they are simply not intended to provide for impartial instruction. Instead, the manifest object is to encourage certain interests and to instill certain values in the pupils whom the present administration has in its power. The nature of those values and interests can perhaps best be indicated here by saying that most of them are shared both by those described in the United States as "left liberals" and in the U.K. by members of the editorial staff of *The Guardian* newspaper.

Finally, Tooley was recently commissioned to survey the research produced by British professors of education. He reported that the quality was poor, but by far his most important finding was that those professors produced virtually nothing that was in any way relevant to the practical business of education. A main part of the promise of privatization is that competing firms have as such an interest in sponsoring research to reveal ways to increase efficiency. As Tooley says, "the Model T was produced in an industry where improvement was essential to survival." □

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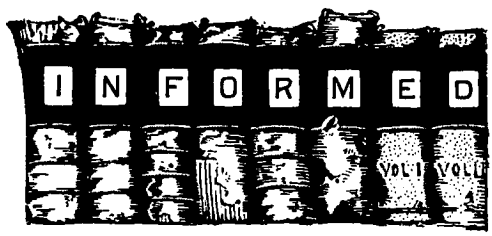

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Cutting Green Tape: Toxic Pollutants, Environmental Regulation and the Law

edited by Richard L. Stroup and Roger E. Meiners

Transaction Publishers • 2000 • 278 pages • $39.95

Reviewed by Sandy Liddy Bourne

The past 30 years have seen an explosion in federal and state regulation under the auspices of protecting the environment and public health. As we look around our newly found politically correct, lean, green, clean society, one wonders if our freedom has been swept under the rug along with our common sense. More important, did we achieve what we set out to achieve? Did we learn to maintain a healthy environment through government regulation—or have we proven that excessive regulation is damaging to our natural resources?

Cutting Green Tape is a cry for a sound, reasonable approach to environmental policy with measurable results. Economists Richard Stroup and Roger Meiners investigate the impact of regulation on toxic waste sites with an eye toward human and environmental health benefits. They amply document the use of poor science and phantom risk and the expenditure of billions of dollars with little effect on the actual cleanup of existing hazardous waste sites. In fact, they argue, the regulatory requirements and litigation costs are so burdensome that they are barriers to effectively addressing toxic threats to the environment.

Economics professor Bruce Benson's chapter "Toxic Torts by Government" illustrates a trend of government failures in protecting human health through its own immunity from tort liability as a major producer of toxic waste. How often do newspaper headlines scream about private sector companies under prosecution for alleged violations of the law, when those companies are under government contract or legislative mandates to produce toxic substances such as Agent Orange? As was the case in the Soviet Union, government is often the worst polluter of all.

In a subsequent chapter, "Rent Seeking on the Legal Frontier," Benson examines the impact of regulatory uncertainty over the past 30 years brought about by the changing definition of liability. The move away from traditional tort standards has muddied the waters of secure property rights and liability rules. A wave of judicial activism has raised bankruptcy to a new level of legal defense for firms whose money would be better spent developing technological advances to enhance sustainable practices in environmental stewardship.

Several essays in the book examine the common law as an alternative to governmental regulation. Roger Meiners and lawyer Jo-Christy Brown provide an overview of the history and operation of the rules of nuisance, trespass, and strict liability. Under the common law, liability could follow only from proof of harm, but the authors observe that Superfund and other environmental statutes fail to require any such evidence. In another chapter, law professors David Haddock and Daniel Polsby argue that negligence rules often are superior to strict liability in deterring pollution.

The book also includes a chapter by the late Aaron Wildavsky on the regulation of carcinogens in which he argued we have sufficient data and evidence of human toxicity for only a few pollutants. Hence, activist judicial decisions based on evidence with little scientific merit are driving up the cost of premiums for product liability insurance and hence the average cost of living.

Economist David T. Fractor provides a practical look into groundwater protection from toxic pollutants. He outlines the physical characteristics of groundwater resources and lists several examples of innovative site- and situation-specific technologies to prevent groundwater and aquifer pollution. He advocates the establishment of property rights for water quality to facilitate a market approach to groundwater policy. While this approach is not foreign to free-market environmentalists, it is a concept that has not yet prevailed.

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Another important contribution comes from legal policy expert Peter Huber, bioengineering professor Kenneth Foster, and law professor David Bernstein, who collaborated on a chapter devoted to scientific testimony in courts. They discuss the problems of dubious medical diagnoses, erroneous or slanted reviews of scientific data, and the impact of legally irrelevant testimony designed to mislead juries.

This book is an excellent primer for free-market environmentalists who seek to promote flexible, innovative solutions to complicated problems of polluted resources. It is a wakeup call for any law student with visions of mass environmental tort litigation dancing in his head. More important, it tunnels through the bureaucracy with a scenario for the sustainable use of natural resources and a measurable reduction in toxic waste. □

Sandy Liddy Bourne is the director of the Energy, Environment, Natural Resources and Agriculture Task Force of the American Legislative Exchange Council.

A University for the 21st Century

by James J. Duderstadt

University of Michigan Press • 2000 • 358 pages • $47.50

Reviewed by George C. Leef

Picking up this book, I toyed with a wildly improbable idea. What if the author, former president of a major state university, had experienced an epiphany after leaving office and had written a book challenging the shibboleths of the higher education establishment?

Alas, no. This is about as far as one could possibly get from a "conversion" book. Duderstadt's mission here is not to give us penetrating scrutiny of American higher education, but to erect defenses around even its most costly and inane practices. His defenses, however, are as strong as tissue paper.

Higher education in America has been a phenomenal growth sector ever since the end of World War II, thanks in large measure to the success of university lobbyists in persuading government to throw ever-greater subsidies into the system. Relying on the argument that education is a "public good" requiring huge injections of taxpayer money to provide the knowledge and research that propel the economy and technological progress, university presidents and their allies managed to engineer a prodigious increase in spending on higher education. Before World War II fewer than one American high-school graduate in ten enrolled in a college or university; now the number is approximately two out of three. To Duderstadt, as with all dutiful members of the education establishment, that growth is a pure public benefit.

He attributes our prosperity in large measure to the nation's "investment" in higher education and contends that as we move into a "new economy" based on information, higher education will become even more important. The trouble with this favorite argument is that it implicitly assumes that the market process cannot bring about the optimal allocation of resources—we need government to ensure that more students attend ever-expanding colleges and universities. To educationists, that is the way of raising the level of knowledge in society. It never occurs to them that individuals in a free society will make the optimal investments, educational and otherwise, without government intrusion.

Higher-education apologists like Duderstadt would have us believe that we are prosperous because so many Americans have taken advantage of student-aid programs and attended heavily subsidized universities. I think the reverse of that proposition is nearer the truth. We can afford to have so many young people dozing through so many esoteric and even laughable college courses because we are prosperous. The vital knowledge that made that prosperity possible—the calculus and the biochemistry and so on—would have been learned without the massive government spending on higher education. It's worth noting that the U.S. economy grew at a more rapid pace in the nineteenth

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century, when government involvement in education was minimal, than it has since the onset of the education era.

Another of Duderstadt's main concerns is to build a redoubt for the education establishment's preoccupation with "diversity." That having a "diverse" university (by which educationists mean that the student body, faculty, administration, and even governing board must be chosen to include members of all recognized social groups, and that the curriculum must be designed to appeal to all those groups) is a social good has become an article of faith among those at the pinnacle of our university system. The author tries hard to justify it, but it's all a waste of ink. One of his arguments, for example, is that because the world is becoming more "globalized," Americans would be ill-served by their colleges and universities if they didn't equip them with a multicultural knowledge base. Duderstadt writes, "[U]nderstanding cultures other than our own has become necessary, not only for personal enrichment and good citizenship, but for our very survival as a nation."

What a stupendous non sequitur! Americans who deal with individuals from other cultures (for all the talk of globalization, still a very small percentage of us) learn what they need to learn in order to effect whatever dealings they desire. American businessmen who want to trade with businessmen from, say, Bolivia, might find it advantageous to learn something about Bolivian customs. If so, they will learn. The notion that people can't trade or even get along unless everyone takes a raft of college courses about other cultures is silly.

Universities have their place, but the only way to find out what that place is is to have them face the test of the market. Instead of receiving government subsidies, they should compete for resources as other for-profit and non-profit institutions do. Duderstadt's model 21st-century universities would soak up a great deal of wealth that they didn't voluntarily earn. I think that the better model is the university of the ancient Arabic world, where students paid professors to impart their knowledge to them. But those universities didn't need presidents, lobbyists, or elaborate justifications. □

George Leef is book review editor of Ideas on Liberty.

The Academic Achievement Challenge

by Jeanne S. Chall

Guilford Press • 2000 • 210 pages • $26.00

Reviewed by Michael B. Poliakoff

Jeanne Chall's *The Academic Achievement Challenge*, published after her death in 1999, is a brilliant analysis of what research tells us about effective and ineffective teaching. It is also a mournful reflection on why we have so much of the latter.

After decades of education research, Chall posed a question that should chill the blood of every policymaker: "Why were the same reforms proposed again and again, under new labels, with little recognition that they were similar to practices or policies that had failed in the past?" The victims of educational malpractice are real and numerous. Behind grim statistics like "70% of inner-city 4th graders read below grade level" are yet grimmer consequences, like a burgeoning prison population made up mostly of men whose mathematical and verbal-literacy skills are of the eighth grade level or below.

Chall is perhaps best known for her definitive studies of reading instruction. This research demonstrated the effectiveness of phonics instruction—teaching the relationship between letters and sounds and the ability to "decode" unfamiliar words into their correct sounds. The "whole language" reading method that Chall criticized attempts to teach sight recognition of whole words and sentences at the earliest stages of reading. Despite the evidence of its failure, whole language has had remarkable longevity. And this is precisely Chall's point: whole language has been around since the 1920s, but its advocates in the 1980s and 1990s never referred to the decades-old body of evidence that warns against it. Even now, we are not

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over this infatuation with bad practice. For example, at the State University of New York (which intends to open an Urban Teacher Education Center soon), one still finds catalogs spouting such arrant nonsense as:

> The Graduate Reading Program is firmly committed to the philosophy that reading is comprehension and that reading comprehension is a dynamic transactive process of constructing meaning as the reader brings prior knowledge to the text within the context of the reading situation. Reading is now regarded as an active search for meaning rather than a mechanical translation of the written code.

The Academic Achievement Challenge demonstrates that failed education theories such as whole language have deep ideological roots and thus do not go away easily. Phonics, like careful exposition of mathematical problem-solving and practice in basic calculation skills, reflects a "teacher-centered" approach. Such methods put a much greater burden and responsibility on teachers and schools to construct appropriate lesson plans and to set and meet goals. Education schools train new teachers primarily to use a "student centered" or "constructivist" approach, one that encourages children to identify their own interests and to pose and answer questions that are most meaningful to them. The teacher, in constructivist parlance, is a "guide on the side," not a "sage on the stage." Chall chronicles the havoc such methods have caused, from the earliest laboratory schools of John Dewey and Bertrand Russell to the "open education" of contemporary public schools and the self-esteem movement. Chall, who assuredly was no ideologue, cites and discusses research that shows the effectiveness of carefully directed student-centered approaches for stronger, more advanced students and concludes that the best education is a continuum that moves students from structured, skills-based instruction to their own, self-motivated discovery. But the teacher remains the central, directing presence in the child's education, providing the "scaffolding" that will support students as they move to greater independence.

It is remarkable how often reason and research do, in fact, intersect. Students whose teachers assign and grade homework, whose schools enforce attendance, and who take frequent quizzes and tests achieve at higher levels than peers in less structured and disciplined environments. None of those practices is antithetical to creativity and higher-order thinking; not surprisingly, students who have had carefully structured training in basic skills—disparagingly called "drill and kill" in teacher-training circles—ultimately do better on tasks requiring deeper understanding and knowledge. When education fads fail to produce student-learning results, we commonly see the blame placed on "low SES (socioeconomic status)," or in other words, the children themselves. The research cited and discussed in *The Academic Achievement Challenge* eliminates those shameful excuses and returns accountability to where it belongs: schools, school leadership, and teachers.

One of Dante's greatest psychological insights is that the lost souls who populate his *Inferno* share a deep attachment to their sins, even when their lasting consequences are so painfully clear. And so it is with the education establishment and its attachment to disastrous educational "reforms." Inestimable numbers of people never reached their potential to pursue rewarding careers and understand their community and culture because educators were blind to the research that informs their own profession. It is time to do it right. The greatest tribute that we can pay to Jeanne Chall's lifetime commitment to schools and children is to follow the clear evidence we have and finally create schools that work. □

Michael Poliakoff is president of the National Council on Teacher Quality.

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5th Annual John Anthony Krogdahl Memorial Lecture

"Rags to Riches in America"

Featuring

Dr. Burton W. Folsom, Jr.

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The John Anthony Krogdahl Memorial Fund was established by Wasley and Margaret Krogdahl in memory of their son. Its purpose is to encourage the study and understanding of sound economics through student essays, seminars, and lectures. The Krogdahls have been active members of FEE and other freedom-oriented organizations for several decades. We are honored to further this cause in his name.

Our Krogdahl lecturer for 2002 is *Ideas on Liberty* contributing editor Burt Folsom. Dr. Folsom is chief historian at the Center for the American Idea in Houston. His lecture, "Rags to Riches in America," will trace the role of the free market in shaping America's success story. A former college professor, Dr. Folsom is the author of several books and many essays on the history of economics.

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IDEAS ON LIBERTY
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Unions on the Run

In 2000 the rate of private-sector unionization in the United States was only 9 percent, a figure that has been falling precipitously since the early 1950s. John Sweeney became president of the AFL-CIO in 1995, when the private sector unionization rate was 14.9 percent, promising that he would reverse that decline. The rate has declined ever since, yet Sweeney still boasts that he will soon turn things around. The year 2001 doesn't look good for Sweeney. In fact, it looks like 2001 was a banner year for workers who want to remain union-free. Coercive unionism in the private sector is on the run.

For example, last fall Sweeney and his cronies suffered two important, crushing defeats. On September 25 the voters of Oklahoma, by a 54–46 percent vote, approved a state constitutional amendment that made it the 22nd right-to-work state. Just eight days later, on October 3, 68 percent of the workers at Nissan's assembly plant in Smyrna, Tennessee, voted to remain union-free.

The Oklahoma Story

Section 14(b) of the National Labor Relations Act (NLRA) permits states to ban "union security" clauses in employment contracts within their respective jurisdictions. Union security clauses force all workers in a firm in which a union has been certified as exclusive (that is, monopoly) bargaining agent to pay fees to the union as a condition of continued employment. Where union security exists, workers do not have a right to work for willing employers without buying permission from unions with monopoly bargaining privileges. In the 22 right-to-work states, which now include Oklahoma, the right of any willing worker to be employed by any willing employer is guaranteed. No union, even with monopoly bargaining privileges, may abrogate that fundamental right.

It is not hard to see why unions abhor right-to-work laws. If they are restricted to collecting dues from their voluntary members—forbidden to force unwilling workers to pay them for representation services those workers do not want—they will have much less money to play with than they otherwise would. Money is crucial to unions because in the face of falling unionization rates their only hope for long-run survival in the private sector is for politicians to change the NLRA in ways that will make it harder for workers to avoid unionization. To that end, the AFL-CIO and its constituent unions spent approximately $500 million in cash and in-kind electoral support of union-friendly politicians in the 2000 elections for president and Congress. In the Oklahoma right-to-work battle the unions spent approximately $15 million to defeat the proposed constitutional amendment, while the victors only spent $6 million. A majority of Sooners, it appears, are far too smart to yield to the blandishments of desperate union offi-

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cials who, from now on, will have no forced dues from Oklahoma to play with.

The Nissan Story

The story in Smyrna, Tennessee, is even more devastating to the Detroit-based United Auto Workers (UAW). The UAW had 1.5 million active members in 1970. By July 2001 active membership had fallen to 733,000. The Big Three Detroit-based auto producers are all heavily unionized and have been since the 1930s. But they are rapidly losing market share to union-free auto producers that are largely foreign-owned, with plants located in the largely union-free south. The UAW needed to win this certification election at Nissan to establish an auto-industry outpost in the south and to set a precedent that it hoped would make southern workers less union-resistant. The vote against certifying the UAW as the monopoly bargaining agent wasn't even close. Nissan workers rejected the UAW 68–32 percent.

The outcome is not surprising since Nissan workers in Smyrna make an average of $22 per hour without overtime. This is double what comparable workers in other industries earn in the south. Moreover, workers are becoming increasingly aware that union-free employment provides more job security than unions can offer. Unionized firms are impaired by their lack of ability to adapt to rapidly changing market conditions that have become common due to globalization of competition. Firms must be competitive to survive and flourish in the 21st century, and unions impair competitiveness.

Robert King, a UAW official, said that the union's loss "offers dramatic proof of the tremendous obstacles workers must overcome in the face of a hostile employer." He just doesn't get it. In 1989 the UAW lost its first certification election at Nissan by approximately the same decisive margin. It dropped attempts even to get an election in Smyrna in 1997 and again in 2000 for lack of worker interest.

The message seems clear: Nissan workers in Tennessee want to remain union-free. They want the UAW to go away; but, because it is so desperate, the UAW probably will continue to try to capture Nissan workers. The NLRA permits unions to harass workers and employers with certification elections and threats of certification elections indefinitely. Resources consumed in fighting these repeated attempts at hostile takeover are not then available to meet the challenges of competition. But unions don't care about the costs they impose on others, even workers. They care only about their institutional survival and capturing more fee payers.

Despite the bad news for unions in Oklahoma and Tennessee regarding their continued collapse in the private sector, they continue to prosper in government employment where the unionization rate was 37.5 percent in 2000, up from 37.3 percent in 1999. The trend seems clear. Unionization in America is becoming a phenomenon by which government workers and their union leaders attempt to live at the expense of private-sector workers. I will address issues of government-sector unionization in my next column. □

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